

Transportation Revenue Forecast Council

November 2015 Transportation Economic and Revenue Forecasts

Volume I: Summary

Washington Transportation Economic and Revenue Forecast November 2015 Forecast

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Preface

Washington law mandates the preparation and adoption of economic and revenue forecasts. The organizations primarily responsible for revenue forecasts are the Economic and Revenue Forecast Council and the Office of Financial Management. The Office of Financial Management has the statutory responsibility to prepare and adopt those forecasts not made by the Economic and Revenue Forecast Council (RCW 43.88.020). The Office of Financial Management carries out its forecast responsibilities for transportation revenues through the Transportation Revenue Forecast Council. Each quarter, technical staff of the Department of Licensing, Department of Transportation, Washington State Patrol and the Office of Forecast Council produce forecasts. The revenue forecasts agreed upon by the Transportation Revenue Forecast Council members become the official estimated revenues under RCW 43.88.020 21.

November 2015 Transportation Forecast Overview

Forecast Overview

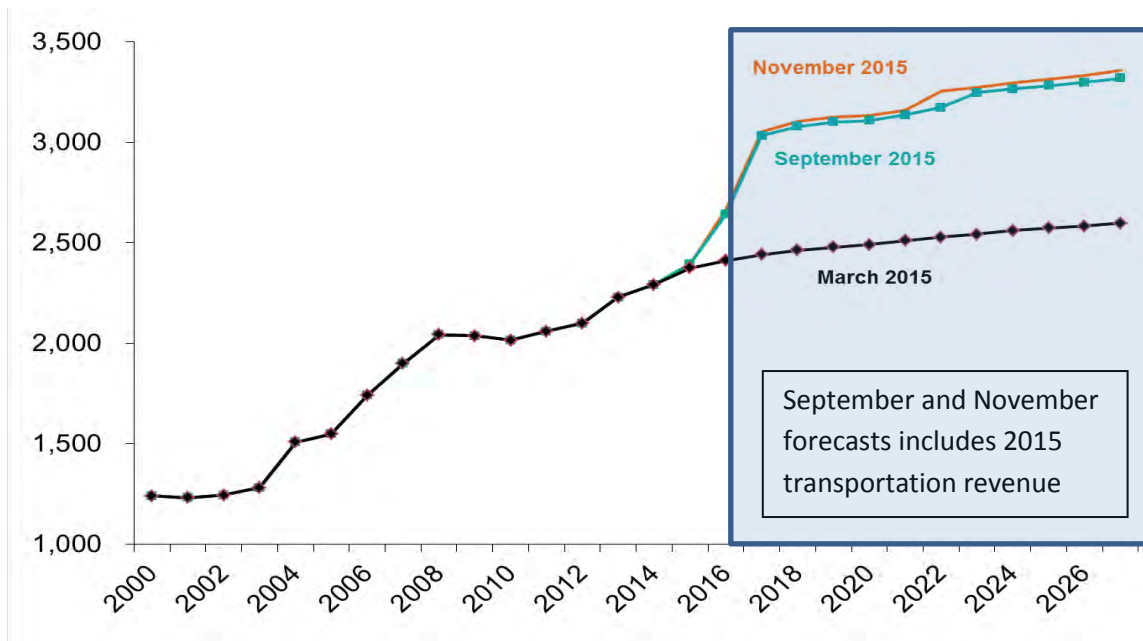
Here are key conclusions from the November 2015 transportation revenue forecast.

- November 2015 transportation forecast of revenues: \$5.713 billion for the current biennium which represents an increase of 22% over the prior 2013-15 biennium of \$4.67 billion. The November forecast includes the revenue from the 2015 transportation revenue package, 2ESSB 5987 as well as the new I-405 Express Toll Lanes revenue forecast.
- Overall transportation revenue has an upward revision forecast to forecast in the current biennium (up \$38.8 million) with the largest share of the increase in toll revenue, fuel taxes and licenses, permits and fee revenue. Next biennium, the transportation revenues are up even more, \$48 million, as both fuel taxes and toll revenues are up from the higher fuel tax forecasts and the addition of the I-405 Express Toll Lanes revenue forecast. Next biennium, overall transportation revenues will be \$6.228 billion which is up \$48 million or 0.8% over the last forecast with \$29 million of the increase being due to higher toll revenue.
- For the 10-year forecast horizon, total revenues are projected to be \$31.37 billion, which is up by \$303.8 million (0.98%) from September due primarily to higher, toll revenue, licenses, permits and fee revenue and fuel tax revenue. Ferry revenue, aviation and business related revenue are the only revenue sources down from the last forecast.
- New projections of real personal income and employment projections are minor revisions downward from the last forecast in terms of growth rates. Inflation is also up a little and the new Washington state population forecast is higher than last year's projections. The current forecast for average annual retail gas and diesel price forecasts are lower than September's forecast all throughout the forecast horizon due primarily to lower future fuel tax rates since the last forecast. The current B5 biodiesel prices for ferries are lower than the baseline March forecast in the current biennium.
- The primary reason for the change in fuel tax revenue has been higher fuel tax collections than expected. Gas taxes have been \$9 million higher in the last two months compared to forecast. In addition, real gas prices are down even further from last quarter's projections and employment forecasts are down a little. The current fuel tax forecast is up \$6 million in the current biennium due to the increase in the gas tax collections but diesel taxes have been coming slightly under forecast recently.
- Licenses, permits and fee (LPF) revenue are up forecast to forecast by \$4 million, in the current biennium, even with slightly lower projections of passenger vehicles and trucks. In the next biennium, the revenues are also anticipated to be up slightly by \$1.7 million forecast to forecast. Over the 10 year forecast period, LPF revenue is up \$70.7 million (0.97%) over last forecast with the largest share of the increase being higher dealer temporary permits, penalty fees, weight based registration (truck) fees and passenger vehicle weight fees which contributed to the majority of the LPF increase.

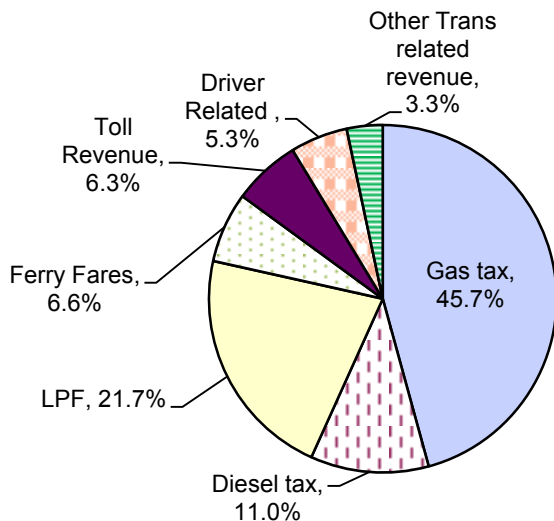
In FY 2010, transportation revenues were \$2.018 billion which was a decline of 1% over the prior fiscal year as the economy struggled from the recession. In FY 2011, transportation revenues increased slightly to \$2.06 billion or 2.3% growth year over year. In FY 2012, transportation revenues were also up minimally to \$2.10 billion or 1.9% annual increase. In FY 2013, transportation revenues were \$2.23 billion, which represents an annual increase of 6%. In fiscal year 2014, transportation revenues were \$2.291 billion, which was 2.7% growth year over year. In fiscal year 2015, transportation revenues were \$2.394 billion which represented a 4.5% year-over-year growth. In the current fiscal year, transportation revenues are anticipated to be \$2.661 billion, which is 0.74% upward revision from the last forecast. Overall during the 10-year horizon, transportation revenues are projected to be \$31.37 billion and \$303.7 million or 0.65% above the projections in September with an average annual growth rate of 3% each year.

**Figure 1 Total Transportation Revenues Comparison
November vs. September vs. March 2015 forecasts**

millions of dollars



**Figure 2 Revenue by Source
2015-17 biennium (\$5.71 billion)**



Washington's transportation revenues come from numerous taxes, fees, permits, tolls, and other revenues. Revenues forecasted each quarter include the sources contained in Figure 2. This pie graph reveals the anticipated share of each state revenue source to the total transportation revenues for the 2015-17 biennium, (\$5.71 billion). Gasoline fuel taxes comprise the largest share at 45.7%. With the addition of diesel fuel taxes, all motor vehicle fuel taxes comprise 57.0% of all revenues. Licenses, permits, and fee revenues comprise the second largest share at 22%. The largest three revenue sources are projected to consist of 79% of revenues in the 2015-17 biennium. The remaining 21% consists of ferry fares, toll revenue, driver related revenue and other transportation related revenue.

**Figure 3 Forecast to Forecast Biennium Comparison of All Transportation Revenues
November 2015 forecast - 10 year period**

Forecast to Forecast Comparison for Transportation Revenues and Distributions 10-Year Period November 2015• millions of dollars									
	Current Biennium						10-Year Period		
	2015-2017			2017-2019			(2015-2025)		
	Forecast Nov-15	Chg from Sep-15	Percent Change	Forecast Nov-15	Chg from Sep-15	Percent Change	Forecast Nov-15	Chg from Sep-15	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	3,240.17	6.24	0.19%	3,535.42	13.77	0.39%	17,550.63	36.31	0.21%
Licenses, Permits and Fees	1,246.11	4.30	0.35%	1,428.98	1.71	0.12%	7,335.25	70.65	0.97%
Ferry Revenue†	374.27	(2.15)	-0.57%	384.45	(1.94)	-0.50%	1,953.47	(13.66)	-0.69%
Toll Revenue §	358.43	23.54	7.03%	387.53	29.10	8.12%	2,030.49	177.75	9.59%
Aviation Revenues ‡	5.81	(1.16)	-16.69%	6.95	(0.21)	-2.94%	33.93	(2.07)	-5.75%
Rental Car Tax	62.78	1.45	2.36%	65.57	1.58	2.47%	339.58	7.87	2.37%
Vehicle Sales Tax	89.77	2.83	3.26%	95.32	3.80	4.15%	494.20	19.33	4.07%
Driver-Related Fees	304.30	3.80	1.26%	294.01	0.43	0.14%	1,486.83	7.74	0.52%
Business/Other Revenues ‡	31.64	(0.06)	-0.20%	30.36	(0.05)	-0.18%	146.11	(0.19)	-0.13%
Total Revenues	5,713.28	38.77	0.68%	6,228.59	48.18	0.78%	31,370.50	303.73	0.98%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	190.17	9.12	5.04%	204.71	(0.14)	-0.07%	1,044.65	8.15	0.79%
State Uses									
Motor Vehicle Account (108)	1,232.29	1.60	0.13%	1,259.35	2.83	0.23%	6,360.95	65.55	1.04%
Transportation 2003 (Nickel) Account (550)	409.99	0.11	0.03%	420.98	2.06	0.49%	2,112.45	4.29	0.20%
Transportation 2005 Partnership Account (09H)	605.44	(0.95)	-0.16%	624.24	2.39	0.39%	3,134.62	4.76	0.15%
Connecting Washington Account (20H)	531.57	(0.67)	100.00%	797.46	3.40	100.00%	3,753.10	6.92	100.00%
Multimodal Account (218)	384.18	5.30	1.40%	491.75	5.43	1.12%	2,618.87	30.49	1.18%
Special Category C Account (215)	49.10	(0.08)	-0.17%	50.26	0.21	0.43%	252.14	0.40	0.16%
Puget Sound Capital Construction Account (099)	35.73	(0.06)	-0.17%	36.57	0.16	0.43%	183.46	0.29	0.16%
Puget Sound Ferry Operations Account (109)	428.77	(1.95)	-0.45%	440.70	(1.75)	-0.40%	2,235.98	(12.92)	-0.57%
Capital Vessel Replacement Account (18J)	41.98	0.09	0.20%	36.67	0.02	0.05%	188.32	(0.02)	-0.01%
Tacoma Narrows Bridge Account (511)	169.02	2.63	1.58%	181.92	3.83	2.15%	924.33	18.96	2.09%
High Occupancy Toll Lanes Account (09F)*	3.73	0.06	0.00%	0.00	0.00	0.00%	3.73	0.06	1.52%
SR 520 Corridor Account (16J)	156.85	2.55	1.66%	167.88	(1.51)	-0.89%	895.27	7.47	0.84%
SR 520 Corridor Civil Penalties Account (17P)	14.89	4.35	41.30%	15.67	4.72	43.08%	83.14	27.25	48.75%
Interstate 405 Express Toll Lanes Operations (595)	13.94	13.94	100.00%	22.06	22.06	100.00%	124.02	124.02	100.00%
Aeronautics Account (039)	5.81	(1.16)	-16.69%	6.95	(0.21)	-2.94%	33.93	(2.07)	-5.75%
State Patrol Highway Account (081)	378.87	1.08	0.29%	402.36	0.53	0.13%	2,045.92	4.56	0.22%
Highway/Motorcycle Safety Accts. (106 & 082)	268.94	4.25	1.60%	258.17	0.79	0.31%	1,305.00	9.42	0.73%
School Zone Safety Account (780)	1.10	(0.06)	-5.51%	1.10	(0.07)	-6.23%	5.50	(0.36)	-6.08%
Other accounts (201, 06T, 097, 09E, 216, 07C)	17.05	0.07	0.41%	17.40	0.03	0.17%	88.57	0.20	0.23%
Ignition Interlock Devices Revolving Acct 14V	6.64	0.05	0.75%	6.46	0.09	1.43%	32.47	0.41	1.29%
Multiuse Roadway Safety Account Collections-571	0.10	0.00	2.44%	0.10	0.00	0.19%	0.53	0.00	0.92%
Total for State Use	4,755.89	31.13	0.66%	5,237.96	45.01	0.87%	26,381.77	289.67	1.11%
Local Uses									
Cities	188.32	(0.32)	-0.17%	192.75	0.82	0.43%	966.99	1.52	0.16%
Counties	309.97	(0.71)	-0.23%	317.74	1.32	0.42%	1,594.91	2.23	0.14%
Transportation Improvement Board (112 & 144)	201.25	(0.34)	-0.17%	206.07	0.88	0.43%	1,034.00	1.63	0.16%
County Road Administration Board (102 & 186)	67.69	(0.11)	-0.17%	69.36	0.30	0.43%	348.18	0.55	0.16%
Total for Local Use	767.23	(1.49)	-0.19%	785.92	3.32	0.42%	3,944.08	5.92	0.15%
Total Distribution of Revenue	5,713.28	38.77	0.68%	6,228.59	48.18	0.78%	31,370.50	303.73	0.98%

† Ferry Fares plus non-farebox revenue

‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund in the June forecast.

§ 167 HOT lanes is a pilot program that is currently scheduled to sunset June 30, 2017 and I-405 Express Toll Lanes forecast is first introduced in the November 2015 forecast

As Figure 3 indicates, in the current biennium, November's transportation revenues are projected at \$5.71 billion. In this forecast, it includes elements of the 2015 transportation revenue package with higher fuel tax rates as well as the new I-405 Express Toll Lanes forecast. Fuel tax collections are up by \$6.3 million or 0.2% higher than the September forecast in the current biennium. This November forecast introduces the I-405 forecast which brings up the toll forecast. Next biennium's transportation revenues are anticipated to grow to \$6.23 billion and up from the last forecast by \$48 million or 0.8%. Over the 10-year forecast horizon (2015-2025), the revenue forecast for November is up by \$303.7 million or 0.7% from the last forecast. The change in transportation revenue for this forecast is due primarily to higher fuel taxes, licenses permits and fee revenue and toll revenue.

Figure 4 Forecast to Baseline Biennium Comparison of All Transportation Revenues
November 2015 forecast - 10 year period

Forecast to Baseline Comparison for Transportation Revenues and Distributions							10-Year Period		
November 2015• millions of dollars									
	Current Biennium						10-Year Period		
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Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	3,240.17	648.04	25.00%	3,535.42	908.66	34.59%	17,550.63	4,345.51	32.91%
Licenses, Permits and Fees	1,246.11	136.72	12.32%	1,428.98	297.02	26.24%	7,335.25	1,608.93	28.10%
Ferry Revenue†	374.27	9.56	2.62%	384.45	10.21	2.73%	1,953.47	56.16	2.96%
Toll Revenue §	358.43	43.05	13.65%	387.53	51.25	15.24%	2,030.49	300.63	17.38%
Aviation Revenues ‡	5.81	(0.33)	-5.34%	6.95	0.67	10.66%	33.93	2.32	7.33%
Rental Car Tax	62.78	2.09	3.44%	65.57	2.24	3.54%	339.58	13.53	4.15%
Vehicle Sales Tax	89.77	4.31	5.05%	95.32	5.50	6.12%	494.20	31.75	6.86%
Driver-Related Fees	304.30	14.84	5.13%	294.01	10.63	3.75%	1,486.83	65.94	4.64%
Business/Other Revenues ±	31.64	2.31	7.86%	30.36	1.24	4.25%	146.11	7.78	5.62%
Total Revenues	5,713.28	860.59	17.73%	6,228.59	1,287.41	26.05%	31,370.50	6,432.53	25.79%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	190.17	46.50	32.37%	204.71	55.94	37.60%	1,044.65	284.51	37.43%
State Uses									
Motor Vehicle Account (108)	1,232.29	85.89	7.49%	1,259.35	97.55	8.40%	6,360.95	524.73	8.99%
Transportation 2003 (Nickel) Account (550)	409.99	7.30	1.81%	420.98	13.02	3.19%	2,112.45	62.03	3.03%
Transportation 2005 Partnership Account (09H)	605.44	10.71	1.80%	624.24	22.29	3.70%	3,134.62	111.54	3.69%
Connecting Washington Account (20H)	531.57	531.57	100.00%	797.46	797.46	100.00%	3,753.10	3,753.10	100.00%
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Special Category C Account (215)	49.10	0.51	1.05%	50.26	1.06	2.16%	252.14	5.09	2.06%
Puget Sound Capital Construction Account (099)	35.73	0.37	1.05%	36.57	0.77	2.16%	183.46	3.70	2.06%
Puget Sound Ferry Operations Account (109)	428.77	11.65	2.79%	440.70	13.25	3.10%	2,235.98	71.60	3.31%
Capital Vessel Replacement Account (18J)	41.98	(2.89)	-6.44%	36.67	(1.59)	-4.14%	188.32	(8.10)	-4.12%
Tacoma Narrows Bridge Account (511)	169.02	18.47	12.27%	181.92	25.99	16.66%	924.33	129.37	16.27%
High Occupancy Toll Lanes Account (09F)	3.73	3.73	0.00%	0.00	0.00	0.00%	3.73	3.73	100.00%
SR 520 Corridor Account (16J)	156.85	2.55	1.66%	167.88	(1.51)	-0.89%	895.27	16.00	1.82%
SR 520 Corridor Civil Penalties Account (17P)	14.89	4.35	41.30%	15.67	4.72	43.08%	83.14	27.51	49.44%
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School Zone Safety Account (780)	1.10	0.22	25.22%	1.10	0.22	25.22%	5.50	1.11	25.22%
Other accounts (201, 06T, 097, 09E, 216, 07C)	17.05	(0.12)	-0.71%	17.40	(0.22)	-1.26%	88.57	(0.58)	-0.65%
Ignition Interlock Device Revolving Acct 14V	6.64	0.32	5.09%	6.46	0.14	2.20%	32.47	0.88	2.78%
Multiuse Roadway Safety Account Collections-571	0.04	(0.00)	-4.54%	0.10	0.01	12.18%	0.46	0.02	3.50%
Total for State Use	4,755.89	807.12	20.44%	5,237.96	1,215.70	30.22%	26,381.77	6,072.53	29.90%
Local Uses									
Cities	188.32	1.96	1.05%	192.75	4.07	2.16%	966.99	19.50	2.06%
Counties	309.97	2.14	0.70%	317.74	5.78	1.85%	1,594.91	27.67	1.77%
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Total for Local Use	767.23	6.97	0.92%	785.92	15.77	2.05%	3,944.08	75.48	1.95%
Total Distribution of Revenue	5,713.28	860.59	17.73%	6,228.59	1,287.41	26.05%	31,370.50	6,432.53	25.79%

¥ Baseline is the March 2015 forecast.

† Ferry Fares plus non-farebox revenue

‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund in the June baseline forecast.

§ 167 HOT lanes is a pilot program due to sunset June 30, 2017 and I-405 Express Toll Lanes forecast was first brought into the November 2015 forecast

Since the March 2015 forecast was the baseline forecast on which the 2015-17 biennium budget was based, the current forecast compared to the March 2015, baseline is reported below in Figure 4. The November forecast is above the March baseline forecast by \$860.6 million, 17.7%, in the current biennium. In next biennium, the November forecast is above the March forecast by \$1.287 billion or 26%. Over the next 10 years, the current forecast is anticipated to be \$31.37 billion which is \$6.43 billion or 25.8% above the baseline forecast. These increases from the March baseline forecast is due to the adoption of the 2015 Transportation revenue package, higher toll and ferry fare increases and new toll revenue forecasts.

Economic Variables Forecast

Several economic variables are used in forecasting Washington's transportation revenues each quarter. Key economic variables include the following: Washington personal income, population, inflation, employment, oil price index, fuel efficiency, and US sales of new light vehicles.

**Figure 5 Annual Percentage Change (%) in Select Economic Variables
November 2015 forecast**

Fiscal Year	WA Personal Income	Annual Population	US General Prices (IPDC)	US Oil & Gas Price Index	US Fuel Efficiency (MPG)	Nominal Consumer Sales on New Vehicles
2010	-2.4	1.0	1.0	3.1	-0.9	10.8
2011	3.0	1.0	1.8	18.2	1.4	11.8
2012	3.7	1.0	2.4	13.9	1.1	13.7
2013	3.0	1.1	1.5	0.5	1.0	9.2
2014	1.6	1.4	1.4	-2.4	1.3	4.6
2015	5.2	1.5	0.8	-17.6	1.6	6.5
2016	3.9	1.5	0.9	-17.2	1.8	6.8
2017	3.6	1.4	1.6	5.8	1.9	7.5
2018	3.6	1.3	1.9	9.9	1.8	5.6
2019	3.4	1.3	1.7	10.0	1.8	3.6
2020	2.1	1.2	1.8	6.0	1.9	2.0
2021	2.1	1.1	2.1	6.5	1.9	0.7
2022	2.7	1.1	2.3	7.4	1.9	2.4
2023	2.8	1.1	2.2	7.4	1.9	1.8
2024	2.8	1.1	2.2	6.6	2.0	2.0
2025	2.8	1.1	2.1	4.0	2.0	1.7
2026	2.9	1.1	2.1	2.6	2.1	2.7
2027	2.9	1.1	2.1	2.3	2.1	4.0

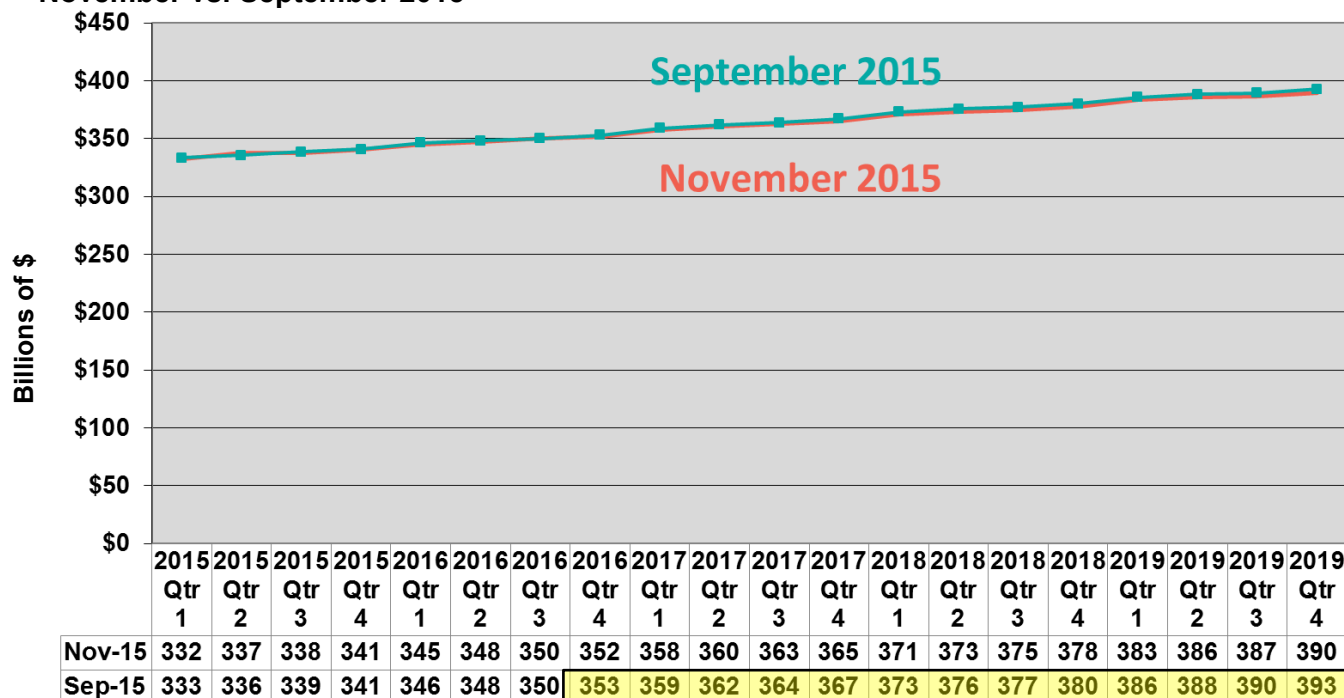
Source: Washington Economic and Revenue Forecast Council, Washington Office of Financial Management, October 2015 Global Insight forecast adjusted for Blue Chip average GDP growth rates and NYMEX crude oil prices

WA Personal Income

The forecast of Washington real personal income is projected by the Washington Economic and Revenue Forecast Council (ERFC) based on the October 2015 Global Insight forecast, October 2015 Blue Chip average US GDP growth rates, NYMEX fuel prices, and other forecasted economic variables in the near term through CY 2019. Washington real personal income in FY 2012 averaged \$298 billion. This was a year-over-year increase of 3.8%. For FY 2013, Washington real personal income was \$308.3 billion, with a year-over-year growth rate of 3.5%. For FY 2014, Washington real personal income was \$314.4 billion which was a 2% growth annually. For FY 2015, real personal income came in at \$329.8 billion which was a 5.2% growth from 2014. This November forecast has personal income at \$342.8 billion with an annual growth rate at 3.9% for FY 2016 which

is a revision downward of 0.3% from the last forecast. This November 2015 forecast predicts Washington real personal income to be slightly lower than the last forecast, see Figure 6. In the third quarter of 2015, real personal income was \$337.7 billion which is close to the \$338.8 billion projected last forecast. In the fourth quarter of 2015, real personal income is anticipated to rise to \$340.6 billion which is slightly lower than \$340.8 billion predicted last quarter. Next fiscal year, Washington's personal income growth rate is anticipated to be \$355 billion or 3.6% year over year which is nearly the same growth rate as anticipated in the September forecast. The average growth rate in fiscal years 2016-2019 is 3.6% which is slightly lower than 3.8% forecasted last quarter. In FY 2020, Washington real person income is anticipated to be \$388.6 billion with an annual growth rate of 2.1% which is lower growth rate than predicted in September at 2.2%. The annual growth rate in real personal income in fiscal year 2021 is anticipated to be 2.1% which is the same as last quarter at 2.1% growth. In FY 2023-2027, OFM's 2015 long-term forecast of real personal income annual growth has not changed from September. The growth rate is anticipated to be between 2.7% and 2.9% see Figure 7.

Figure 6 Comparison of Quarterly Washington Real Personal Income November vs. September 2015



Source: Washington Economic and Revenue Forecast Council (October 2015 economic variables) and 2015 OFM long-term personal income forecast

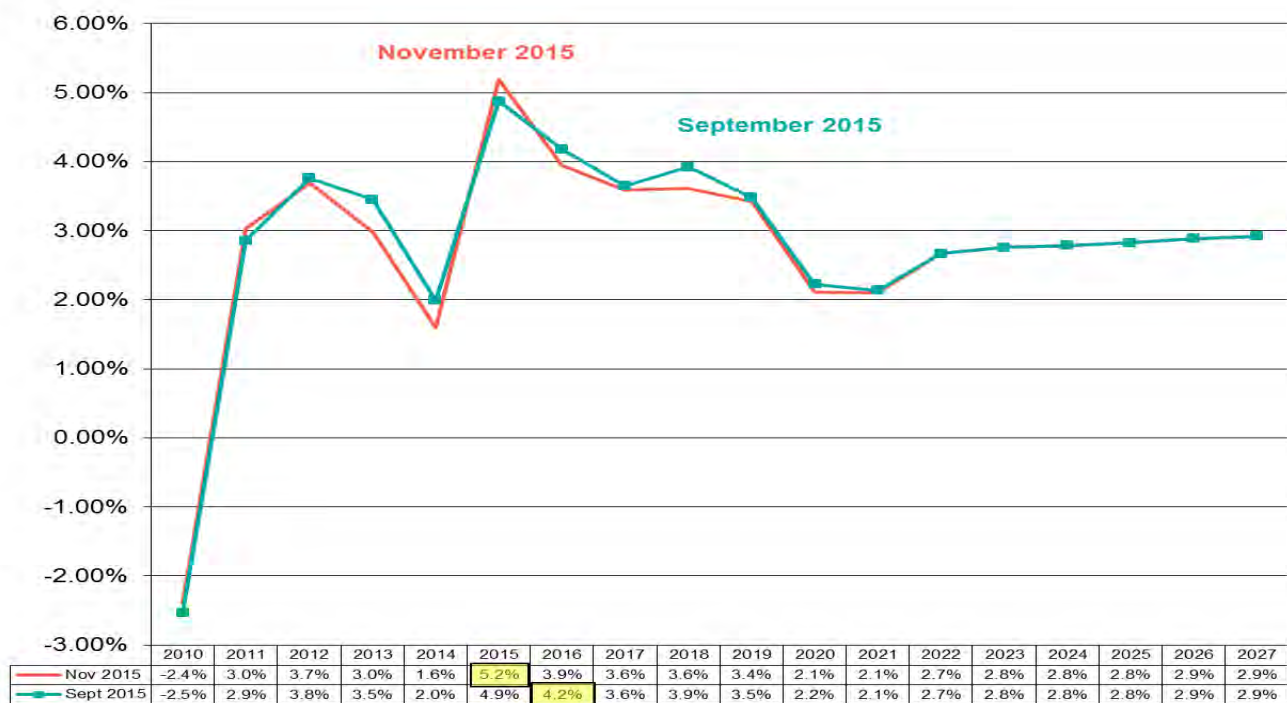
WA Population

The November 2015 forecast includes the draft 2015 OFM population projections which was a modification from the September 2015 forecast assumptions which represented OFM's November 2014 population forecast.

In FY 2012, the driver age population was 5.238 million with an annual growth rate of 1.0%. The driver age population increased to 5.2986 million in FY 2013, representing a 1.1% annual growth from the prior year. The FY 2014 driver age population is 5.3707 million, which is 1.4% annual growth. In fiscal year 2015, the population forecast is 5.4488 million with an annual growth of 1.5%. In subsequent years, the annual population growth rate starts at 1.5% in FY 2016 and falls slowly each year so by the last year of the forecast horizon the annual growth rate is 1.1%. The average annual growth rate in population between FY 2016 and 2027 is 1.2%. This new 2015 population forecast in the November forecast is higher overall than the last forecast all throughout the forecast horizon, see Figure 8.

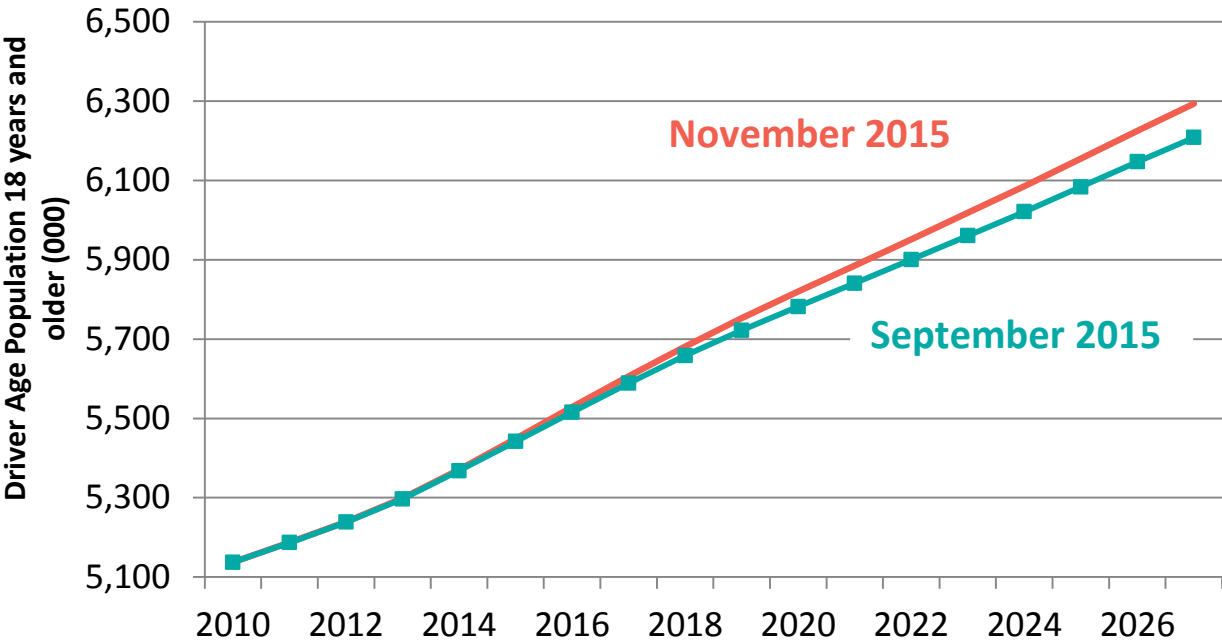
The driver in-migration forecast is one component of the population forecast and it also has been revised upward in this November forecast from September. This latest forecast has stronger growth predicted for the Washington driver in-migration forecast all throughout the forecast horizon. In FY 2016, the driver in-migration is anticipated to be 180,000 drivers which is 9.1% higher than forecasted in September. This is the biggest increase in the driver in migration forecast of all the years in the forecast horizon. Beginning in FY 2017, the increase in the driver in forecast from the September forecast was only 2.2% and that change rises a little over time. By the end of the forecast horizon, the change in the driver in migration forecast is 2.9% higher than the last projections. This forecast follows the same trend of the September forecast only higher, see Figure 9.

Figure 7 Forecast Comparison of Annual Growth Rates for Washington Real Personal Income November vs. September 2015



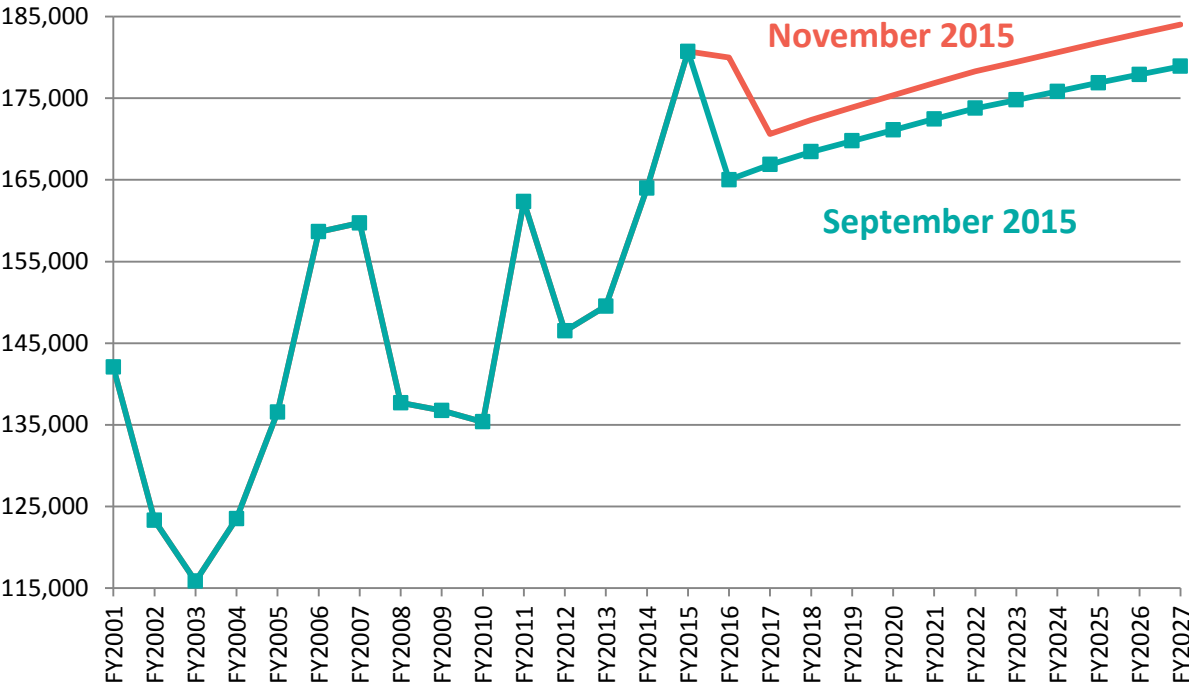
Source: Washington Economic and Revenue Forecast Council (October 2015 economic variables) and 2015 OFM long-term personal income forecast

**Figure 8 Forecast Comparison of Driver Aged Population:
November vs. September 2015**



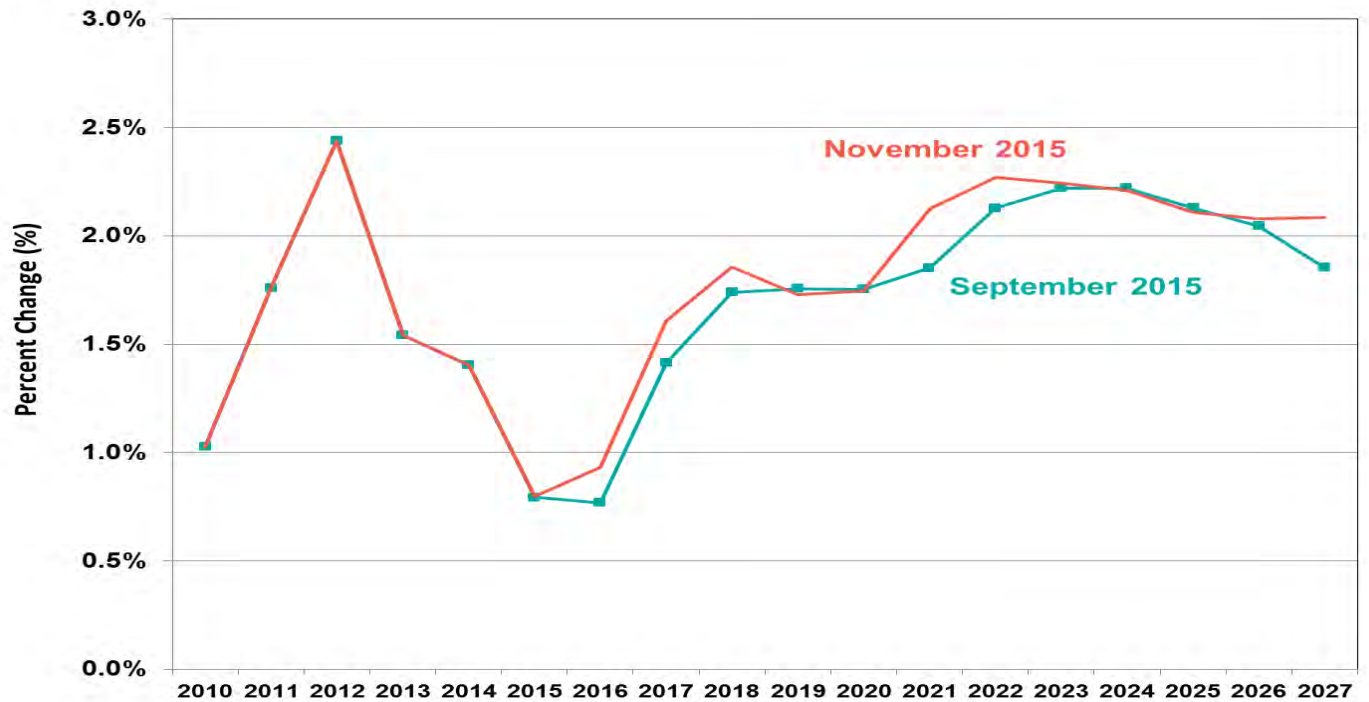
Source: Washington Office of Financial Management – November 2014 and 2015 Forecasts

**Figure 9 Forecast Comparison of Driver In Migration:
November vs. September 2015**



Source: Department of Licensing November 2015 forecast

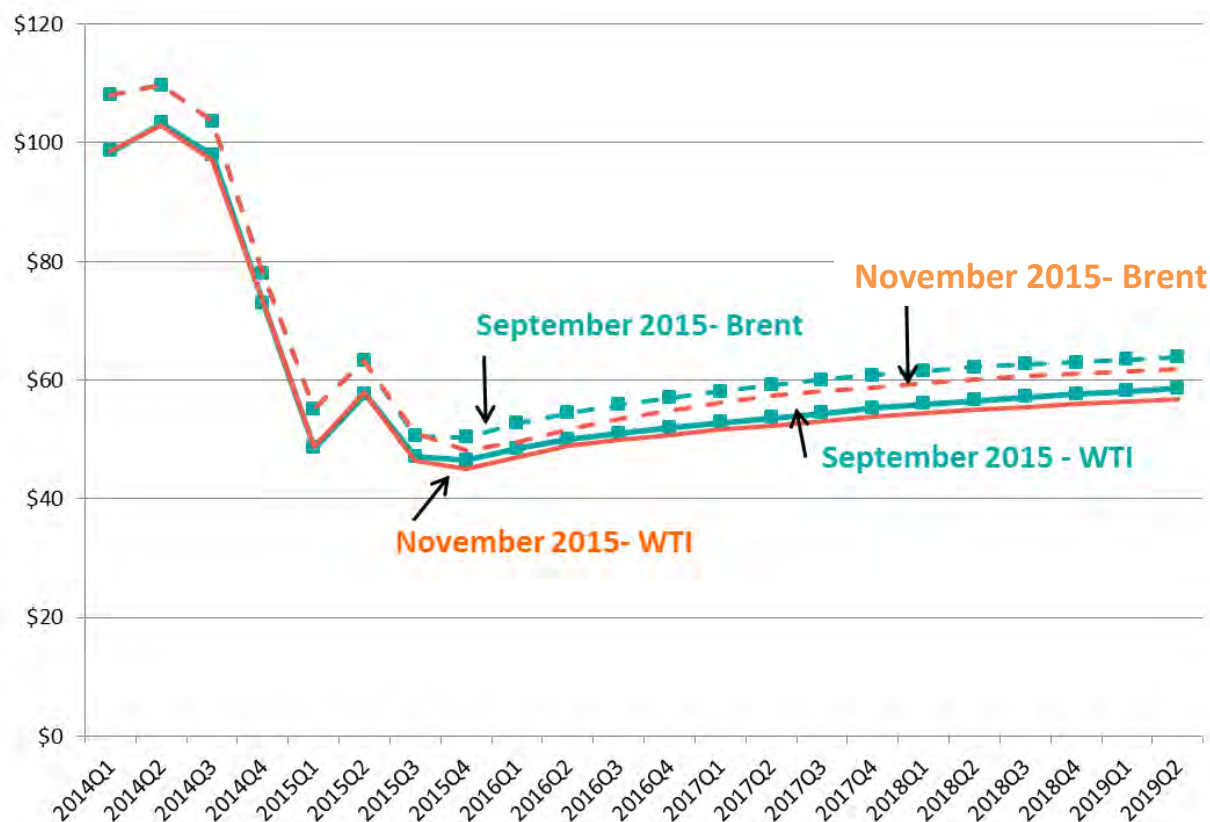
Figure 10 Inflation Forecast Comparison – Annual Percent Change in U.S. Implicit Price Deflator for Personal Consumption November vs. September 2015



Source: Washington Economic and Revenue Forecast Council and October 2015 Global Insight forecast
U.S. Inflation

For the U.S. inflation rate forecast, we use the Economic and Revenue Forecast Council through FY 2019 and Global Insight's October 2015 projection of the implicit price deflator (IPDC) for 2020 and beyond (Figure 10). In 2012, the U.S. inflation rate, as measured by the change in the IPDC, was 2.4%. In FY 2013, inflation grew slower at 1.5% annually. In FY 2014, the inflation rate was nearly the same at 1.4%. In FY 2015, the inflation rate was 0.8%. In the current fiscal year, the November forecast shows an annual increase in inflation of 0.9%, which is slightly higher than last quarter's forecast. In FY 2017, the annual growth rate for inflation is anticipated to increase to 1.6% which is above the 1.4% predicted in September. In FY 2018, the current forecast of 1.9% annual growth for inflation is again slightly higher than last quarter's forecast at 1.7%. For the remainder of most of the forecast horizon after FY 2018, the current inflation rates are nearly the same as September's forecasted inflation rates (see Figure 10).

Figure 11 NYMEX WTI and Brent Crude Oil Price Comparison and Price Spread Since January 2014

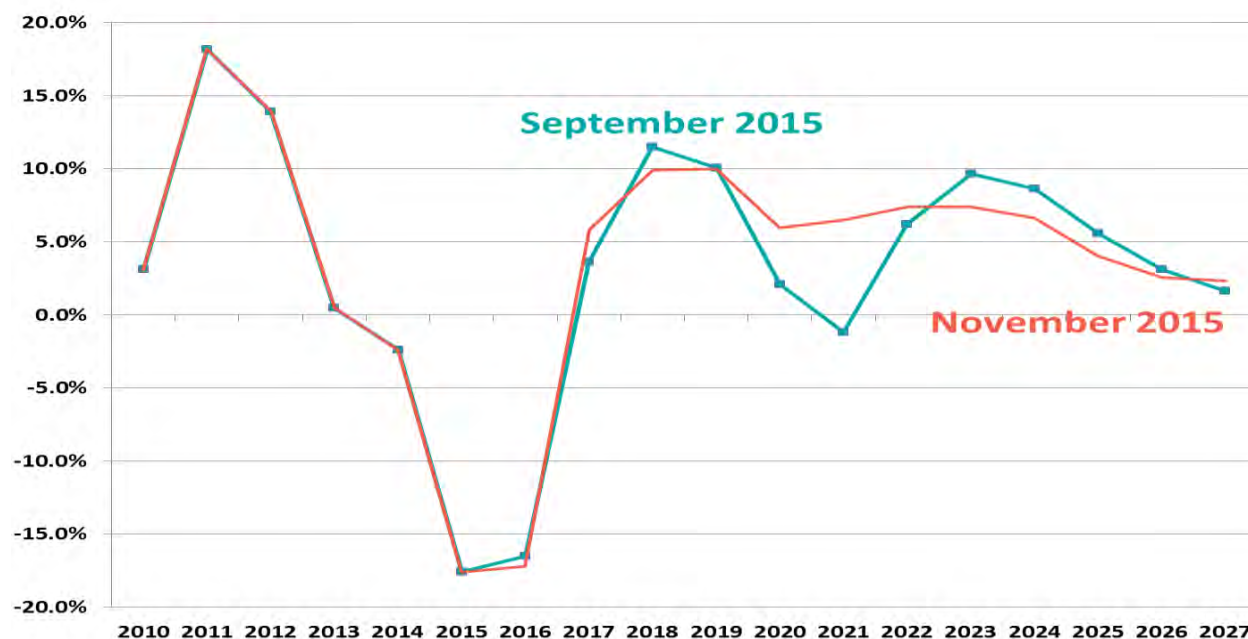


Source: November and September 2015 NYMEX future prices – WTI and Brent crude oil prices

Crude Oil NYMEX Futures Prices

The November and September 2015 U.S. crude oil NYMEX futures prices for both Brent and West Texas Intermediate (WTI) and the price spread are revealed in Figure 11. The 2015 third quarter futures prices decreased in this current November 2015 forecast for WTI compared to the last forecast but Brent is up slightly from the last forecast. In future quarters, beginning fourth quarter of 2015, and all throughout the future horizon, WTI and Brent futures prices are below the last forecast. In recent months like in the last forecast, Brent and WTI futures prices have gotten closer together reflecting the actual WTI and Brent crude oil prices both dropping significantly in the second and third quarters of 2015. This trend continues in the fourth quarter of 2015 as well as all years throughout the forecast horizon. In the current fiscal year, Brent future prices are anticipated to be \$50 per barrel while WTI crude oil price is anticipated to be around \$46.9 per barrel. Right now the difference between Brent and WTI prices is minimal at \$3 per barrel. Over time, the difference between the two crude oil price futures grows a little so by the last quarter of fiscal year 2019, the Brent and WTI futures prices are at \$62.4 and \$57.5 per barrel respectively for a difference of \$5 per barrel. These futures prices are nearly the same as last quarter. The two crude oil price projections follow the same price trend with the lowest price being in the fourth quarter of 2015 in this November forecast.

Figure 12 Global Insight Oil/Gas Price Index Forecasts: Growth Rate Comparison November vs. September 2015



Source: October 2015 Global Insight forecast

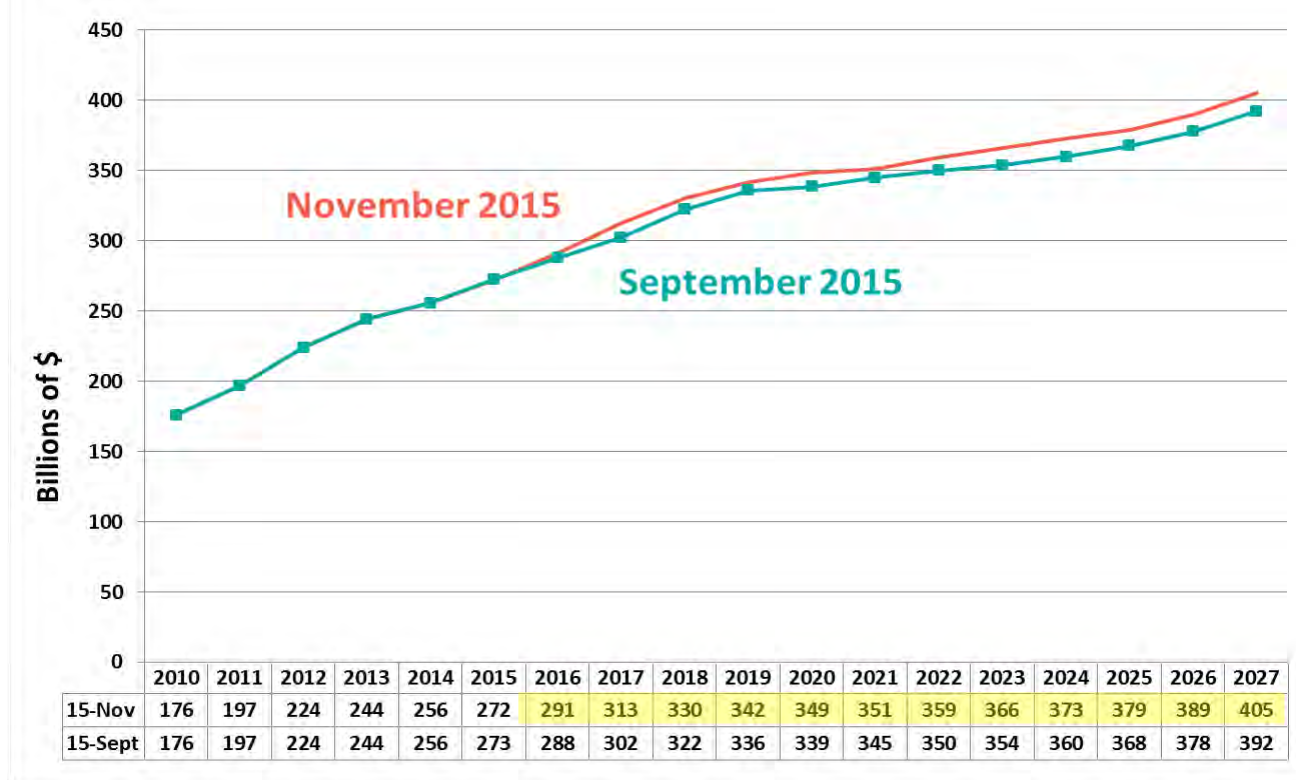
U.S. Petroleum Products Price Index

The annual year over year change in the U.S. petroleum products price index was 18% for FY 2011. In FY 2012, the price index grew by 13.8%, year-over-year. In FY 2013 the annual growth for the U.S. petroleum products price index was 0.5%. In FY 2014, the US petroleum price index declined by 2.4%. In FY 2015, this index declined significantly year over year by 17.6%. In FY 2016, the petroleum products price index is also predicted to fall annually by 17.2% which is a larger decline than projected in September at 16.5%. In FY 2017, the petroleum products price index is predicted to rise by 5.8% as opposed to 3.6% anticipated in September. From FY 2018 and throughout the rest of the forecast horizon, the petroleum products price index growth rates are expected to be positive with an average annual growth rate of 6.3%. In FY 2018 and 2019, the annual growth rate in the price index is expected to be 9.9% and 10% respectively. In FY 2020, the annual growth rate drops to 6% growth and then from FY 2021 onward, the annual growth rate grows again to 7.4% in FY 2023 and then it gradually slows to 2.3% annual growth by the end of the forecast horizon (see Figure 12).

U.S. Fuel Efficiency (MPG)

The U.S. on-road fuel efficiency variable for the November 2015 forecast is unchanged from the September forecast. Previous forecasts have incorporated the effects of the 2012 Obama administration fuel efficiency standards for passenger cars and light trucks in model years 2017 and beyond. The US on-highway fleet fuel efficiency variable in 2013 and 2014 was 20.5 and 20.8 miles per gallon respectively for the entire US fleet of light vehicles. In FY 2015, the US on-highway fleet fuel efficiency variable was 21.1 miles per gallon. In the current fiscal year, the November 2015 fuel efficiency projection for the US fleet is 21.5 miles per gallon, which is an annual increase of 1.8%. Next year, the US fleet average fuel efficiency is anticipated to be 21.9 miles per gallon which is another 1.8% annual growth. The fuel efficiency of the US fleet grows slowly over time and by the end of the forecast horizon the US on-highway vehicle fuel efficiency is projected to increase to 26.54 miles per gallon, which represents approx. 2% annual growth rate.

**Figure 13 Global Insight Annual US Consumer Spending on Motor Vehicles
November vs. September 2015**



Source: October 2015 Global Insight forecast

U.S. Consumer Spending on New Motor Vehicles

Consumer spending on new motor vehicles throughout the U.S. has been recovering with 10.8% and 11.8% year-over-year growth in FY 2010 and 2011 respectively. In FY 2012, the recovery for light vehicle sales picked up even more with an annual growth rate of 13.5%. In fiscal year 2013, consumer spending on new vehicles grew year over year by 9.2%. In fiscal year 2014, consumer spending on new vehicles grew year over year by 4.6%. In fiscal year 2015, consumer spending on new vehicles grew at 6.5%. In general, this November 2015 forecast is predicting slightly higher levels of consumer spending on new motor vehicles than in September in the current fiscal year and throughout the forecast horizon. This current forecast has the highest growth rate of 7.5% in FY 2017 instead of 6.6% predicted for FY 2018 in September. After the highest annual growth rate in FY 2017, the annual growth rates of consumer sales on new vehicles are anticipated to slow in FY 2018 to 5.6% and then decrease again to 0.7% in FY 2021. In years after FY 2021, the annual growth rates averages 2.4% in the remaining years.

WA Total Non-Farm, Trade, Transportation and Utilities and Retail Trade Employment Sectors

This November forecast has only minor upward revisions in the levels of Washington employment from the September forecast. The recovery in Washington's economy picked up in FY 2012 with non-agricultural employment growing by 1.5%; employment in the trade, transportation, and utilities sectors growing at 2.0%; and Washington retail employment growing at 1.8%. In FY 2013, year-over-year growth in non-ag. employment continued to grow at 2.1%. In fiscal year 2014, the non-ag. employment rate annual growth was 2.5% and in fiscal year 2015, the annual growth rate for non-ag. employment was 2.9%. In the current fiscal year, the annual growth in non-ag. employment is anticipated to be 2.3% as opposed to 2.5% predicted in September. In fiscal years FY 2017-2026, the annual growth rates for non-ag. employment falls every year from 1.5% to 0.7% which is slightly lower than last quarter's forecast growth of 1.9% to 0.7% for those same years. The economic

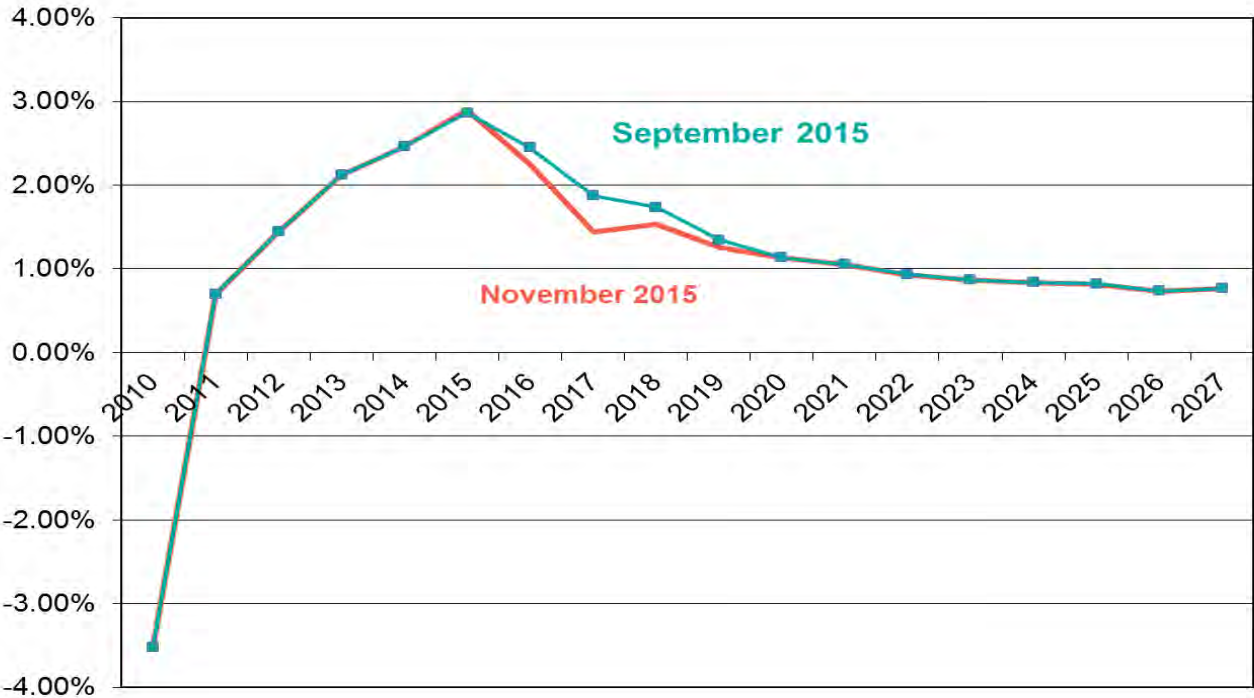
growth in Washington's non-ag. employment, in subsequent years beyond FY 2019, is based on OFM's 2015 long-term employment projections, which has not been revised since the last forecast (see Figure 15).

Figure 14 Annual Growth Rates (%) Washington Employment Forecasts November 2015

Fiscal Year	WA Non-ag. employment	WA Trade, Transportation and Utilities Employment	WA Retail Trade Employment
2010	-3.5	-4.0	-3.3
2011	0.7	0.6	0.8
2012	1.5	2.0	1.8
2013	2.1	2.4	2.8
2014	2.5	3.2	3.7
2015	2.9	3.4	3.4
2016	2.3	2.5	3.3
2017	1.4	0.9	0.5
2018	1.5	0.9	0.3
2019	1.3	0.7	0.3
2020	1.1	0.5	0.2
2021	1.1	0.5	0.6
2022	0.9	0.4	0.4
2023	0.9	0.3	0.2
2024	0.8	0.3	0.2
2025	0.8	0.4	0.4
2026	0.7	0.4	0.5
2027	0.8	0.5	0.6

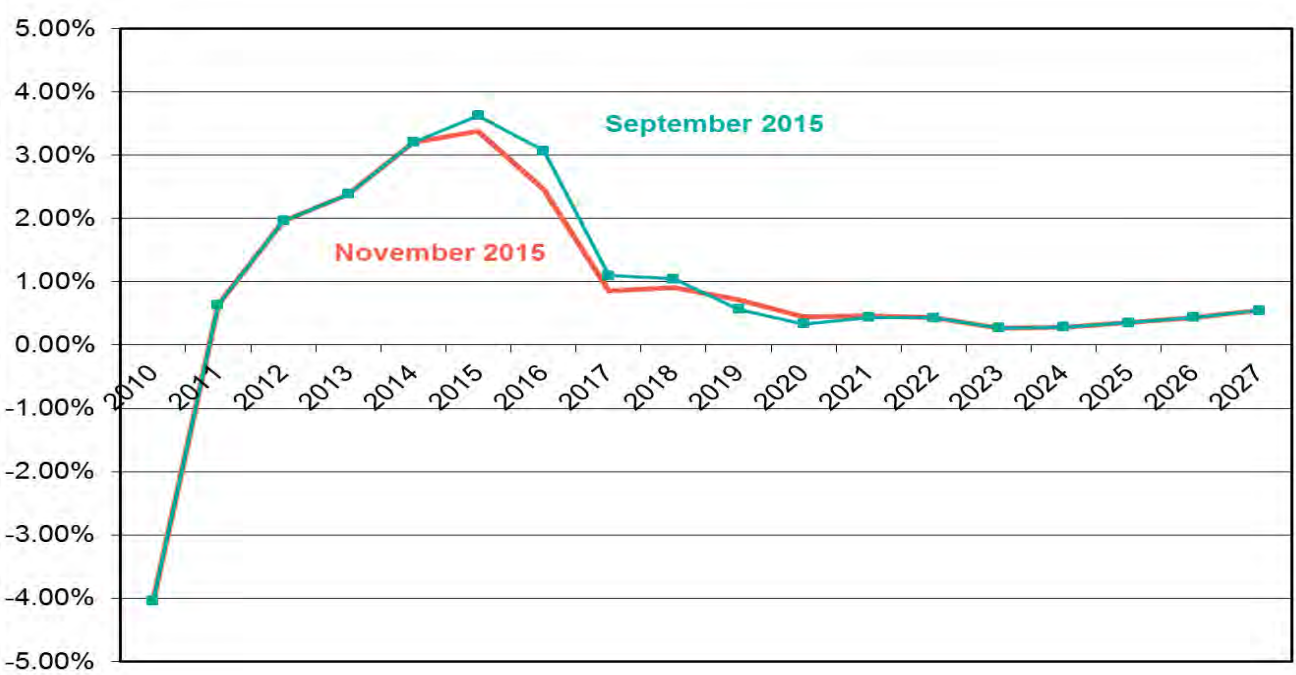
Washington's employment in the trade, transportation, and utilities (TTU) sectors follows similar trends as the overall non-farm employment trends. In FY 2012, this industry grew by 2% year-over-year. In FY 2013, the trade, transportation, and utilities employment sector grew slightly faster at 2.4%. In FY 2014, employment in the trade, transportation, and utilities sector grew by 3.2%, which is faster growth than non-ag. employment growth at 2.5%. In FY 2015, this industry's employment grew by 3.4%. In FY 2016, the growth rate in this employment sector is lower than the last projection at a year over year growth of 2.5% as opposed to 3.1% in September. Then in FY 2017, Washington employment growth rates in the trade, transportation, and utilities sectors is anticipated to grow at 0.9% which is lower than 1.1%, predicted in last quarter's forecast. Then employment in the trade, transportation, and utilities sector growth rate steadily slows annually to a rate of 0.3% by FY 2023, which is slightly lower than anticipated in September. In subsequent years after FY 2019, the TTU employment growth rates are dependent on the 2015 OFM long-term forecast which has not changed from the last forecast. The 2015 OFM long-term annual growth rates are projected to be 0.5% for FY 2020 and 2021 each year. The annual growth rate falls a little to 0.3% in FY 2023 and 2024. In fiscal years 2025 - 2027, annual growth rates rise to 0.4% and then to 0.55% which is same as last projections (see Figure 16).

Figure 15 Washington Nonfarm Payroll Employment Forecasts of Annual Growth Rates November vs. September 2015



Source: October 2015 ERFC and OFM/ESD 2015 long-term Washington non-ag. employment forecast

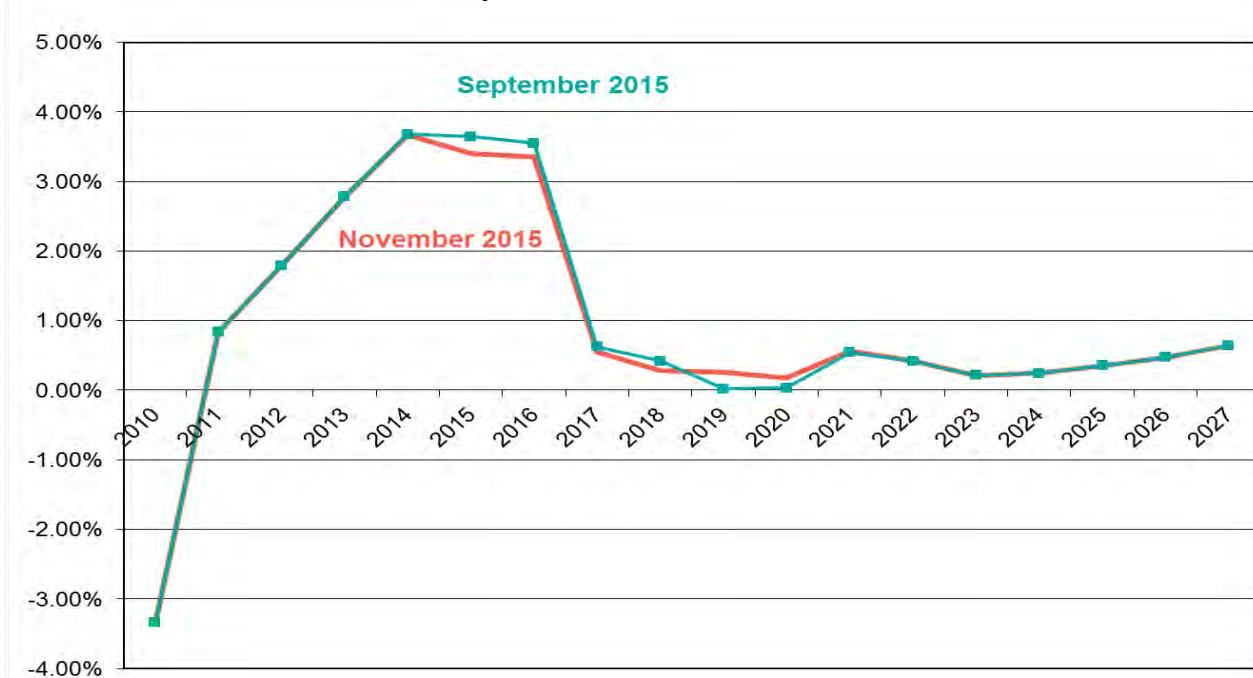
Figure 16 Washington Nonfarm Payroll Employment – Trade, Transportation and Utilities Sectors (TTU) Forecasts of Annual Growth Rates November vs. September 2015



Source: October 2015 ERFC and OFM/ESD 2015 long-term Washington TTU employment forecast

Washington's employment in the retail trade sector in this forecast also follows similar trends as employment in the non-agricultural and trade, transportation, and utilities industries; however, projections are more optimistic in the near-term for this industry sector than other sectors. The retail employment sector grew by 1.8% year-over-year in FY 2012. In FY 2013, the retail trade employment grew even more by 2.8%. In FY 2014, retail employment growth was 3.7%. In FY 2015, the retail employment had 3.4% annual growth. In FY 2016, the retail employment annual growth forecast is lower at 3.3% as opposed to 3.6% projected in September. In FY 2017, the annual growth rate is predicted to be small at 0.5% which is nearly the same as 0.6% anticipated in the last forecast. In FY 2018 and 2019, the annual growth is anticipated to remain low at 0.3% both years. In FY 2020, the current annual growth rate forecast for retail employment is 0.2% which is slightly above the last forecast for that year. In FY 2021 and beyond, the retail employment projections are based on OFM's 2015 employment projections, which have not changed from last quarter. The new long-term annual growth rate averages 0.4% (see Figure 17).

Figure 17 Washington Nonfarm Payroll Employment – Retail Trade Sector Forecasts of Annual Growth Rates November vs. September 2015



Source: October 2015 ERFC and OFM/ESD 2015 long-term Washington retail trade employment forecast

Motor Fuel Price Forecast

Washington's transportation revenues are affected by fuel prices. In particular, gasoline tax collections are negatively related to the price of gasoline and the Washington State Department of Transportation budget is heavily impacted by changes in fuel prices. Therefore, projections of fuel prices are made quarterly to assist in the near and long-term budgeting process for WSDOT. The fuel price forecast includes the following fuel price projections: U.S. West Texas Intermediate crude oil (WTI) and Washington retail prices of gasoline, diesel, and biodiesel (B5 and B99).

The November 2015 forecast for crude oil prices is nearly the same as the last forecast in the current fiscal year and the new forecast is lower in the outer years throughout the remainder of the forecast horizon from September. The same is true for the current retail gas and diesel price forecasts as they are also down

from the September forecast in the current fiscal year and all throughout the forecast horizon. Annual adjusted ferry B5 biodiesel prices are nearly the same as the September forecast for most of the forecast horizon.

Source of data for the forecast

For the Washington retail price of gasoline, actual fuel prices are collected from the Energy Information Administration's (EIA) survey of retail prices for regular gasoline in the state. For the retail price of diesel, the actual prices are collected from AAA's weekly publication of retail prices for diesel in Washington. The actual ferry B5 biodiesel prices are reported by the Washington State Ferries (WSF). In the short term (thorough calendar year 2016), the retail gas price forecasts are based on the growth in the national retail gas price forecast by EIA. The diesel and biodiesel diesel prices are projected based on the growth in national diesel prices from the Energy Information Agency (EIA) monthly projections. Beyond calendar year 2016, the fuel price projections are based on November's Global Insight national gas price forecast for Washington's gas price forecast and the producer price index (PPI) projections for refined petroleum products for the retail diesel and biodiesel price forecasts.

The forecasts of biodiesel prices include two different biodiesel prices: B5 and B99 without the renewable identification number (RIN). WSF currently purchases biodiesel as B5 blended biodiesel. WSDOT also purchases B99 biodiesel without RIN for our vehicle fleet needs. WSDOT receives OPIS fuel prices with the latest prices for B5 and B99 biodiesel prices without RIN in Tacoma. The B99 prices represent those paid by other state entities' purchases of biodiesel in Tacoma. The B5 biodiesel price is based on Washington State ferries' reported purchase price of biodiesel with the markup, delivery, and other tax costs included. The base for the price forecast for the B99 price without RIN for non-WSF purchases is the OPIS base price without markup, delivery, and tax costs.

U.S. crude oil price trend

U.S. prices of West Texas Intermediate Crude (WTI) oil averaged \$95 per barrel in FY 2012. In fiscal year 2013, crude oil prices averaged \$92.16 per barrel. In FY 2014, WTI crude oil prices came in at \$101.3 per barrel. The crude oil prices ended FY 2015 with an average WTI price forecast of \$69.3 per barrel. In this current forecast, like prior forecasts, WTI crude oil prices are expected to remain low in FY 2016 but this forecast of the annual WTI price is anticipated to decline further to an average of \$48 per barrel which is nearly the same as the \$48.9 per barrel projected in September. Beginning in FY 2017, WTI crude oil prices are projected to rise back up to \$51.8 per barrel which is lower than \$60.1 per barrel predicted in September. In this current forecast, WTI does not exceed \$100 per barrel until FY 2024 when it hits \$105 per barrel. Then the forecast grows rapidly over the remainder of the forecast horizon. By FY 2027, the WTI price forecast is projected at \$120 per barrel as opposed to \$148 per barrel predicted in this September forecast by the end of the forecast horizon.

Washington retail gasoline price trend

November's Washington retail gasoline prices are projected to be lower than the September retail gas price forecast in the near-term and throughout the forecast horizon, see Figure 18. This current forecast is lower than both the September and March 2015 baseline price forecasts in FY 2016 through 2021.

In FY 2013, the Washington average retail gas price was \$3.73 per gallon. In FY 2014, the Washington average retail gas price was \$3.61 per gallon. This represents a year-over-year decline of 3.2%. In FY 2015, the Washington retail gas price decreased 15% year-over-year to \$3.08 per gallon. In FY 2016, this current forecast anticipates prices to decrease again to \$2.61 per gallon, which is 4% lower than expected last quarter. The November forecast of retail gas prices remains low in FY 2017 at \$2.75 per gallon which is \$0.20 per gallon less than last forecast. In FY 2018, retail gas prices are anticipated to rise to \$3.07 per gallon which is still much lower than the September forecast of \$3.34 per gallon. The current projection of retail gas prices continue to rise each year as opposed to the last forecast when the retail gas price was forecasted to plateau in FY 2020 and FY 2021 at an average of \$3.84 per gallon. In all remaining years of the forecast horizon, the current retail gas

price forecast continues to grow and it is very close to the March baseline forecast by FY 2024. Overall, in the long-term the September forecast of retail gas prices is higher than both the November and March forecasts.

Please note that in this November 2015 forecast Global Insight made a major upward revision to their forecast of the national average of state and local taxes variable. This change has the impact of pushing this November forecast lower as we remove those taxes before we project our Washington state retail gas price. This November forecast like the September forecast incorporates the higher fuel tax rates from the 2015 transportation revenue package passed by the Legislature. This law change increased gas and diesel tax rates by 7 cents per gallon in FY 2016 and another 4.9 cents per gallon beginning in FY 2017. This change has raised the retail gas price with taxes by 11.9 cents per gallon beginning FY 2017 in the September and November forecasts but not in the March baseline forecast.

Washington retail diesel price trend

This November forecast of retail diesel prices is lower than the last and baseline forecast all throughout the forecast horizon, see Figure 19. This is a similar trend seen in retail gasoline prices. Washington's retail price of diesel was \$4.20 per gallon in FY 2012, 13% higher than the prior year. In FY 2013, the retail diesel price dropped slightly to \$4.10 per gallon. In FY 2014, the retail diesel price was \$4.01 per gallon, a year over year decline of 2.2%. In FY 2015, the retail diesel price was \$3.43 per gallon, 14.5% decline year over year. This current forecast for FY 2016 is \$2.89 per gallon which is lower than the last forecasted price of \$3.06 per gallon. In FY 2017, retail diesel prices are expected to rise to \$2.99 per gallon, which is 14% lower than the \$3.49 per gallon predicted in the September forecast. For the rest of the forecast horizon, retail diesel prices are projected to rise each year without any period of a price plateau between fiscal years 2020-2021 like the last forecast. By FY 2027, the current projection of retail diesel prices is well below the September forecast of retail diesel price forecast of \$7.49 per gallon as opposed to \$5.48 per gallon now projected. The November forecast at the end of the forecast horizon is also below the March retail gas price projection of \$6.15 per gallon.

The price differential between retail gas and diesel was \$0.09 per gallon on average in FY 2010 and it grew to \$0.35 per gallon by FY 2015. Most recently in the third quarter of 2015, the retail diesel price differential dropped to a minimal \$0.03 per gallon, on average higher than retail gas prices. In the fourth quarter, the price differential between gas and diesel is projected to grow to \$0.35 per gallon. In FY 2016 and 2017, the price differential drops some to \$0.28 and \$0.24 per gallon respectively. Beginning in FY 2018, the price differential is projected at its lowest at \$0.11 per gallon and it grows to \$0.30 per gallon by the end of the forecast horizon.

Please note that this November 2015 forecast, like the previous forecast, has incorporated the higher fuel tax rates from the 2015 transportation revenue package passed by the Legislature. This law change increased gas and diesel tax rates by 7 cents per gallon in FY 2016 and another 4.9 cents per gallon beginning in FY 2017. This change has raised the retail diesel price with taxes by 11.9 cents per gallon beginning FY 2017 in the September and November forecasts but not in the March baseline forecast.

Figure 18 Forecast of UNADJUSTED Washington Retail Gasoline Prices, Regular
November, September and March 15

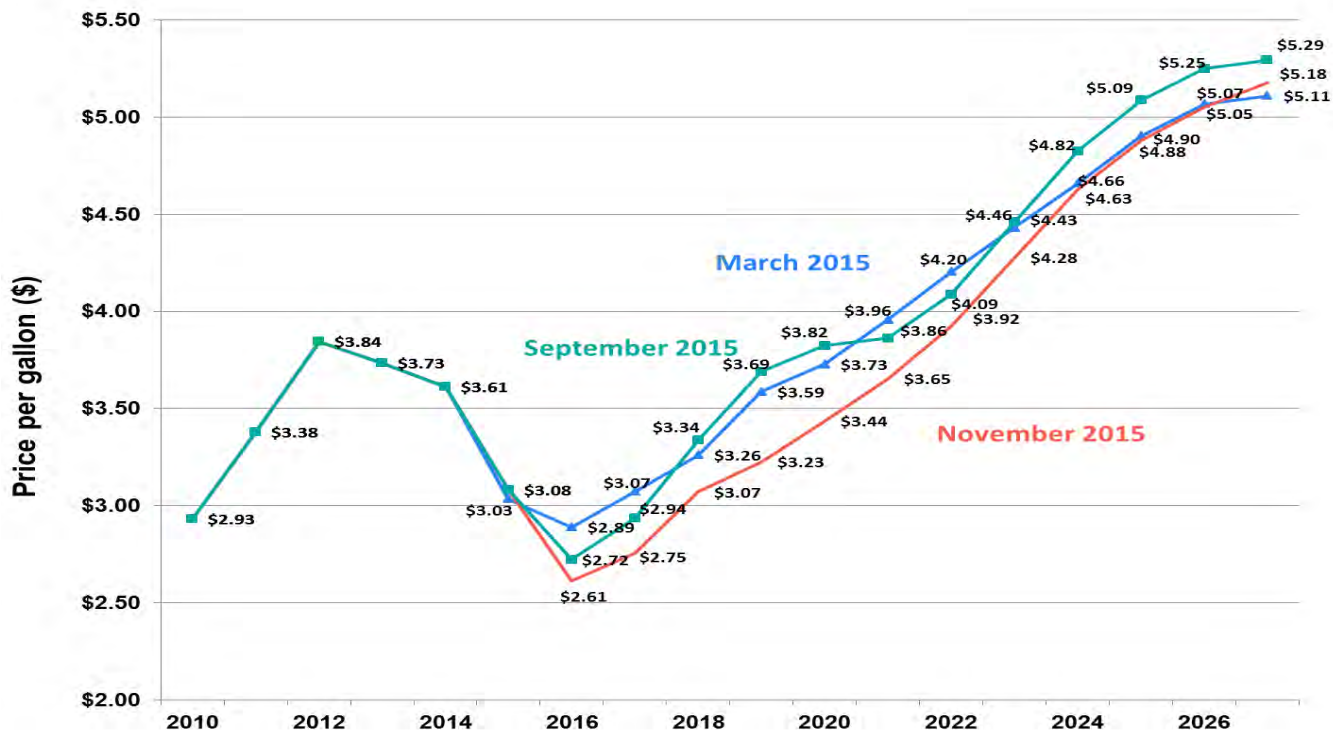
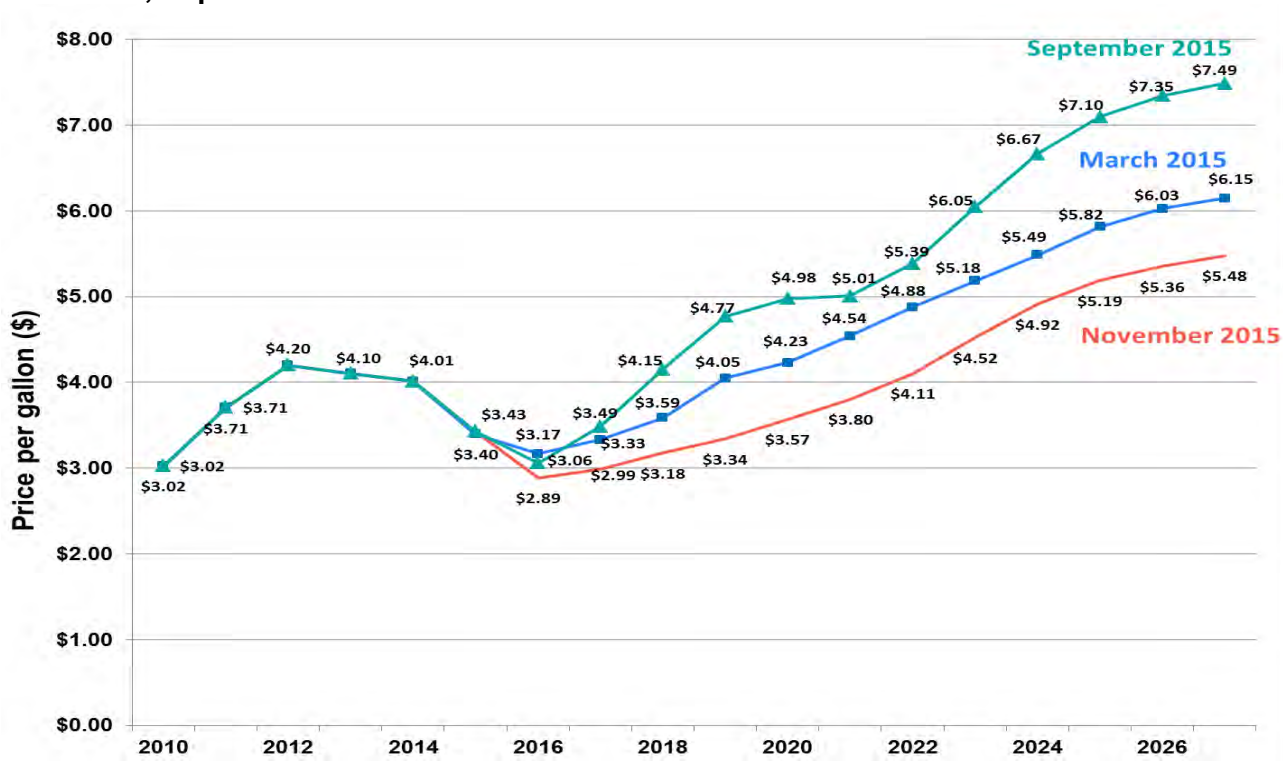


Figure 19 Forecast of UNADJUSTED Washington Retail Diesel Prices
November, September and March 15



**Figure 20 Near-term UNADJUSTED BASELINE Quarterly Fuel Prices:
November 2015**

Fiscal Year Quarter	Crude Oil Price (\$/barrel)	WA Retail Gasoline Price (\$/gal)	WA Retail Diesel Price (\$/gal)
2014: Q3	97.78	3.86	4.04
2014: Q4	73.16	3.11	3.68
2015: Q1	48.54	2.42	2.93
2015: Q2	57.85	2.94	3.08
FY 2015	69.33	3.08	3.43
2015: Q3	46.42	2.97	3.00
2015: Q4	46.74	2.39	2.74
2016: Q1	47.33	2.38	2.84
2016: Q2	51.33	2.73	2.96
FY 2016	47.96	2.61	2.89
2016: Q3	54.00	2.73	3.01
2016: Q4	52.33	2.49	3.01
2017: Q1	48.81	2.73	2.91
2017: Q2	52.12	3.07	3.03
FY 2017	51.82	2.75	2.99
2017: Q3	57.15	3.16	3.20
2017: Q4	55.23	2.87	3.13
2018: Q1	56.31	3.01	3.17
2018: Q2	57.41	3.24	3.21
FY 2018	56.53	3.07	3.18
2018: Q3	58.81	3.22	3.25
2018: Q4	60.46	3.04	3.31
2019: Q1	62.23	3.20	3.37
2019: Q2	63.96	3.45	3.43
FY 2019	61.37	3.23	3.34

Comparison of several current U.S. crude oil price forecasts

In this November 2015 forecast, the West Texas Intermediate (WTI) crude oil price forecasts for FY 2016 differed by approximately 11% with prices ranging from \$46 to \$51.2 per barrel. The five surveyed forecasting entities, EIA, NYMEX, Global Insight, Consensus Economics, and Moody's Economy.com had forecasts with WTI crude oil price forecasts which averaged \$47.6 per barrel for FY 2016. WSDOT's baseline fuel price forecasts use the Energy Information Administration (EIA) forecasts in the near-term through calendar year 2016 and then use the growth rates from Global Insight forecasts for subsequent years. The forecast for WTI crude oil in FY 2017 ranged from \$51.2 per barrel by NYMEX to \$60.6 per barrel by Consensus Economics with the average being \$55.8 per barrel. The baseline crude oil price forecast for FY 2017 was 7.8% below the 5 entity average. The average forecast for WTI crude oil in FY 2018 ranged from \$54.02 per barrel by NYMEX to \$68.8 per barrel by Economy.com with the average being \$61.9 per barrel. The baseline crude oil price forecast is anticipated to be below the 5 entity average by 9.4%. The average forecast for WTI crude oil in FY 2019 ranged from \$56.2 per barrel by NYMEX to \$75 per barrel by Global Insight with the average being \$67 per barrel. The baseline crude oil price forecast for FY 2019 is anticipated to be below the 5 entity average by 9.9%. Figure 21 reveals the WSDOT baseline WTI price forecast compared to the other entity crude oil price forecasts.

Figure 21 Near-term Annual WTI Crude Oil Price Forecasts – 5 Different Forecast Comparisons: November 2015 *Dollars per barrel*

Fiscal Year	WSDOT (EIA/GI)	NYMEX	Global Insight	Economy.com	Consensus Economics	5 Entity Avg	% Diff Lowest	% Diff Highest	% Diff Average
2016	\$47.96	\$46.86	\$44.30	\$50.28	\$48.55	\$47.59	-7.63%	4.85%	-0.76%
2017	\$51.82	\$51.16	\$57.70	\$60.34	\$58.13	\$55.83	-1.27%	16.45%	7.75%
2018	\$56.53	\$54.02	\$64.31	\$68.80	\$65.65	\$61.86	-4.43%	21.71%	9.44%
2019	\$61.37	\$56.16	\$69.82	\$74.50	\$75.34	\$67.44	-8.49%	22.77%	9.89%

Figure 22 Near-term Average Adjusted Quarterly Fuel Prices and B5 Biodiesel Prices and Unadjusted B99 Biodiesel Prices Used for Budgeting Purposes: November 2015 *Dollars per gallon*

Fiscal Year Quarter	Adjusted WA Retail Gasoline Price (\$/gal)	Adjusted WA Retail Diesel Price (\$/gal)	Adjusted B5 Biodiesel Price (\$/gal)	Unadjusted B99 Biodiesel price
2015Q3	2.97	3.00	1.87	3.96
2015Q4	2.37	2.72	1.76	3.97
2016Q1	2.36	2.82	1.92	4.10
2016Q2	2.71	2.94	2.08	4.28
FY2016	2.60	2.87	1.91	4.08
2016Q3	2.94	3.25	2.32	4.36
2016Q4	2.68	3.24	2.34	4.35
2017Q1	2.94	3.14	2.30	4.21
2017Q2	3.30	3.27	2.33	4.39
FY2017	2.97	3.22	2.32	4.33
2017Q3	3.45	3.50	2.49	4.63
2017Q4	3.14	3.42	2.44	4.52
2018Q1	3.30	3.47	2.47	4.58
2018Q2	3.54	3.51	2.50	4.64
FY2018	3.36	3.48	2.47	4.59
2018Q3	3.54	3.58	2.54	4.70
2018Q4	3.34	3.64	2.59	4.79
2019Q1	3.51	3.70	2.64	4.87
2019Q2	3.79	3.77	2.68	4.96
FY2019	3.55	3.67	2.61	4.83

WSDOT applies the five forecast entity average adjustment to the baseline November 2015 retail gasoline, diesel, and B5 biodiesel prices. The fuel prices listed in Figure 22 will be used to estimate the future costs to WSDOT agency's 2015-17 and 2017-19 biennium budgets for gas, diesel and biodiesel fuel purchases for fiscal years 2016 through 2019. The latest adjusted forecast requires a 0.76% decrease in the baseline fuel prices for retail gas, diesel and B5 biodiesel prices for the remaining months of FY 2016 and 7.8% increase for FY 2017. In FY 2018 baseline fuel prices are adjusted upward by 9.3% and in FY 2019 the baseline forecast was adjusted upward by 9.9%. By the end of the next biennium, this is a large adjustment of a quarterly baseline fuel price forecast reflecting diverging opinions about the future growth in WTI crude oil prices. B99 biodiesel prices are not adjusted each year due to B99 biodiesel prices being based on different feedstock prices rather than crude oil prices.

Washington ferries B5 biodiesel fuel price trend

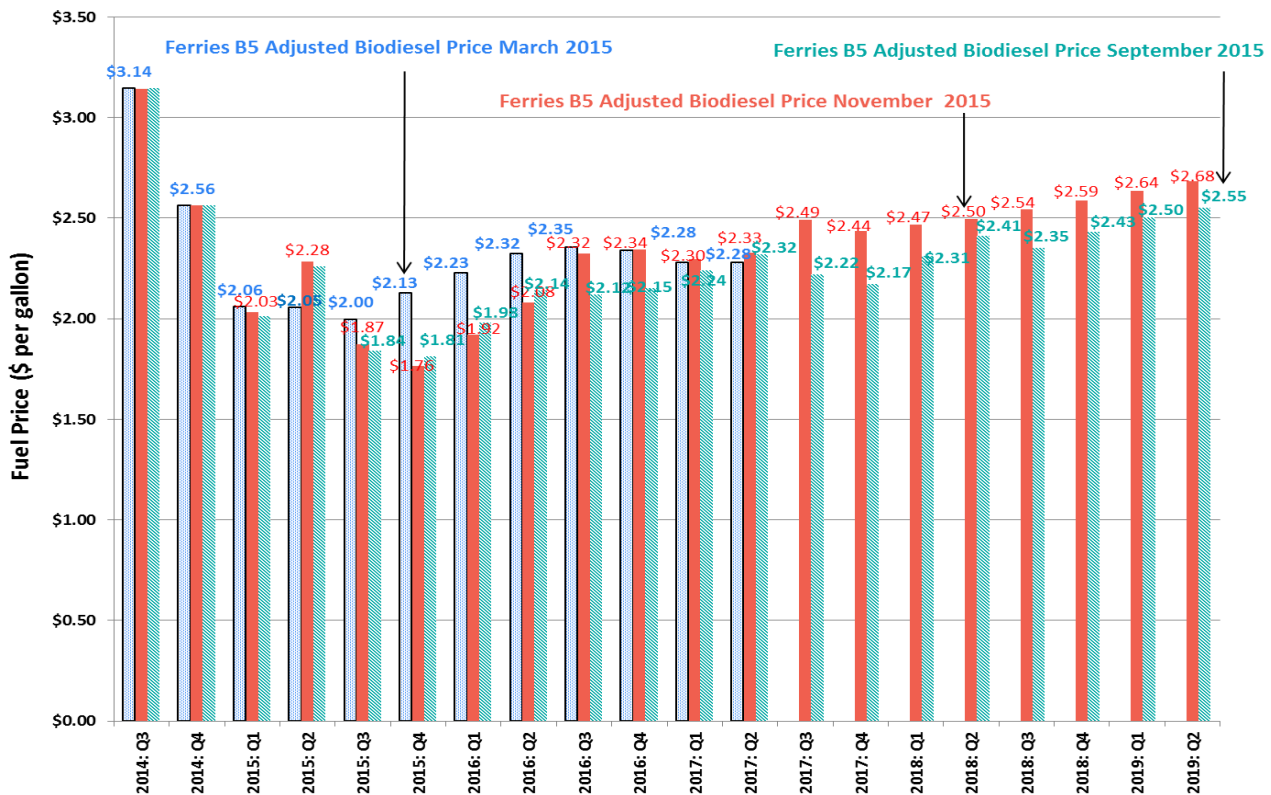
The trend in Washington's ferry (WSF) B5 biodiesel price is similar to retail diesel price. The reported B5 biodiesel price includes the markup costs ferries must pay, delivery fees, and various taxes, including sales taxes. Washington state ferries began receiving a sales tax exemption on their biodiesel fuel purchases on July 1, 2013 and this has been incorporated into the baseline B5 biodiesel price forecast. The ferries B5 unadjusted biodiesel price averaged \$3.53 per gallon in FY 2012. In FY 2013, the B5 biodiesel price declined a little to \$3.51 per gallon. In FY 2014, B5 biodiesel prices did not include the roughly 10% sales tax cost so the average annual B5 biodiesel price with markup fell to \$3.15 per gallon. In FY 2015, the adjusted B5 biodiesel price was even lower at \$2.51 per gallon. In FY 2016, the current forecast of \$1.91 per gallon is below the last forecast and the baseline for adjusted B5 prices. In FY 2017, the current forecast of adjusted B5 prices of \$2.32 per gallon is projected to be near the baseline and slightly higher than the last September forecast for adjusted B5 prices.

The November adjusted B5 biodiesel price forecast is lower than last quarter's forecast until the end of FY 2017 but then the adjusted B5 price forecast for November is above the last forecast for the next biennium. In the third quarter of 2015, B5 prices on average had fallen each month with an average of \$1.87 per gallon. In the fourth quarter of 2015, B5 prices are anticipated to fall further to an average of \$1.76 per gallon. Figure 23 provides a chart comparing the quarterly B5 biodiesel price projections, current, last and March forecasts.

B99 Biodiesel fuel price trend

The latest monthly OPIS B99 biodiesel price without RIN, markup, delivery and tax costs in Tacoma begins this B99 price forecast. The biodiesel price forecasts are based on the retail diesel price future growth with adjustments made to eventually have a regular diesel and biodiesel price differential of roughly 12%, which is the average price differential seen over the last 5 years. The B99 biodiesel price forecasts used for non-WSF WSDOT purchases had an actual B99 markup averaging \$4.95 per gallon in FY 2012. For FY 2013, B99 biodiesel actual price rose a little to \$4.98 per gallon. In FY 2014, the B99 price declined year-over-year by 4.8% to \$4.74 per gallon. In FY 2015, the average annual B99 price declined to \$3.98 per gallon which is a 16% reduction year over year. In FY 2016, the B99 forecast predicts a slight increase, 4.7%, to \$4.08 per gallon which is higher than the September forecast of \$3.67 per gallon. Beginning in FY 2017, B99 prices are anticipated to rise quickly to \$4.33 per gallon, 8.5% increase, and continue that rise to \$4.83 per gallon by FY 2019, 11.5% two year growth rate.

Figure 23 Quarterly Ferries B5 Biodiesel Prices Used for Budgeting the 2015-17 and 2017-19 Biennia November vs. September vs. March 2015 Forecast Comparison



Motor Vehicle Fuel Tax Forecast

Motor vehicle tax collections for gasoline and diesel consumption for September 2015 and October 2015 totaled \$271.1 million or \$8.6 million (3.3%) more than the \$262.5 million forecasted in September 2015. For twelve months spanning from November 2014 through October 2015, the variance in actual fuel tax collections totaled a positive \$18.5 million (1.5%) compared to forecasted revenues.

In September 2015 and October 2015 gasoline tax collections totaled \$219.4 million or 4.5% (\$9.4 million) more than forecasted in September:

- September 2015 collections totaled \$114.8 million, \$11.4 million more than forecasted; and
- October 2015 collections totaled \$104.6 million, \$1.9 million less than forecasted.

In September 2015 and October 2015 diesel tax collections totaled \$51.7 million or 1.5% (\$0.8 million) less than forecasted in September:

- September 2015 collections totaled \$25.4 million, \$0.77 million less than forecasted; and
- October 2015 collections equaled \$26.3 million, \$0.03 million less than forecasted.

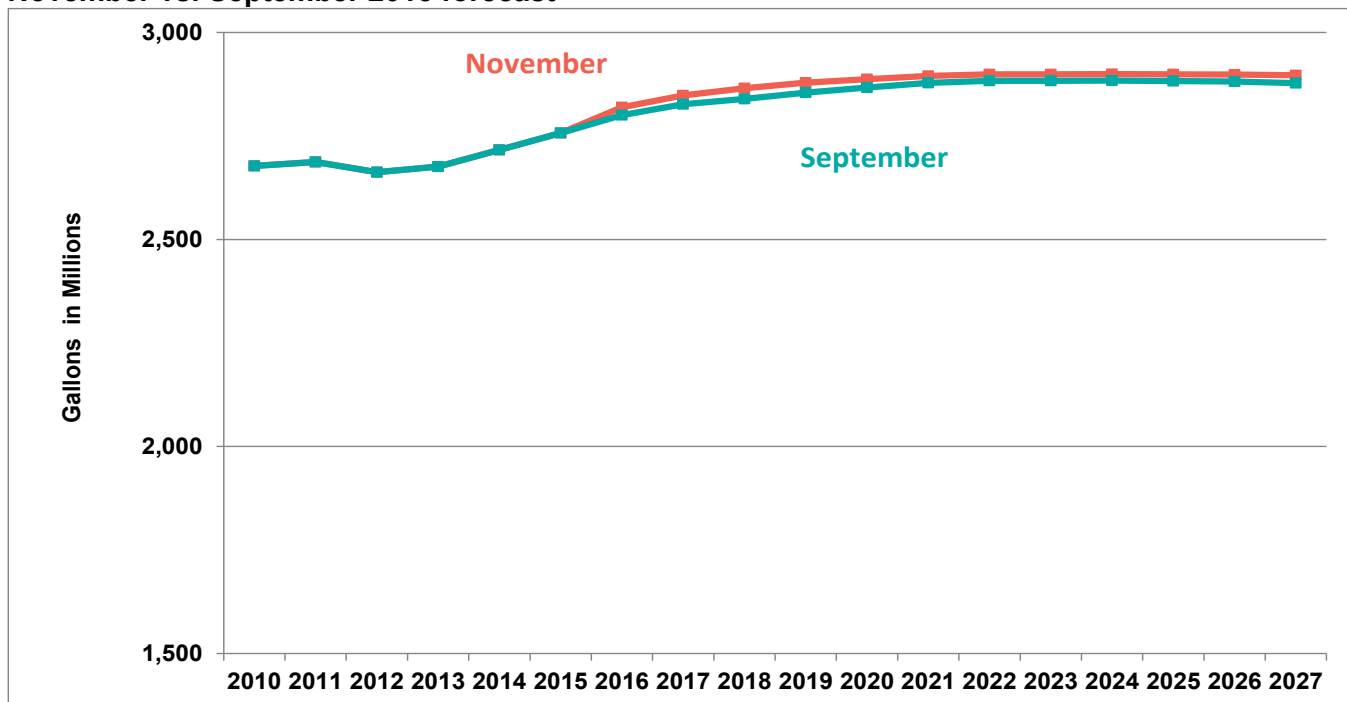
Gross motor vehicle fuel tax revenues totaled \$2.549 billion for the 2013-15 biennium, 2.5% or \$60.97 million greater than revenues for 2011-13 biennium. Gross motor vehicle fuel tax revenues for the 2015-2017 biennium are projected to grow by \$6.2 million or 0.2% more than forecasted in September. The overall increase in motor vehicle fuel tax revenue for the 10-year period beginning in the current biennium and ending in the 2023-25 biennium totals \$36.3 million or 0.2% more than the September revenue forecast. The primary reason for higher gross tax revenues compared to the September forecast are higher near-term tax collections in FY 2016.

Trends in gasoline consumption and tax revenue

In FY 2013, gasoline consumption totaled 2,676 million gallons, a 0.5% increase from FY 2012. In FY 2014 gasoline consumption grew to 2,716 million gallons, a 1.5% increase over FY 2013. In FY 2015 gasoline consumption repeated the same 1.5% growth rate over FY 2014. Figure 24 shows the forecast to forecast comparison of projected gasoline consumption. In FY 2016, gasoline consumption is anticipated to grow to 2,819 million gallons or a 2.3% increase over FY 2015 and 0.7% more than projected in September. Gasoline consumption has grown by 1.5% in 2 consecutive years but now is projected to grow even higher by 2.3%, the 3rd year in a row with more than 1.5% annual growth. Throughout the remainder of the forecast horizon (2017 to 2027), gasoline consumption is anticipated to grow nearly the same as forecasted in September (up by 0.8% forecast to forecast). The annual growth for gasoline is positive with a long-term average annual growth rate of 0.244% in this November 2015 forecast. See Figure 24 for a comparison graph of the September and November gasoline consumption forecasts.

In the 2013-2015 biennium, gasoline tax revenue totaled \$2.054 billion. By the 2015-17 biennium, gasoline tax revenue is anticipated to increase to \$2.61 billion, up by \$13.97 million or 0.54% from the September 2015 forecast due to higher actual collections in FY2016. Gross gasoline tax revenue projections are up by \$85.96 billion or 0.62% from the September 2015 forecast for the 10-year forecast horizon.

**Figure 24 Gasoline Motor Fuel Consumption Forecast Comparison
November vs. September 2015 forecast**



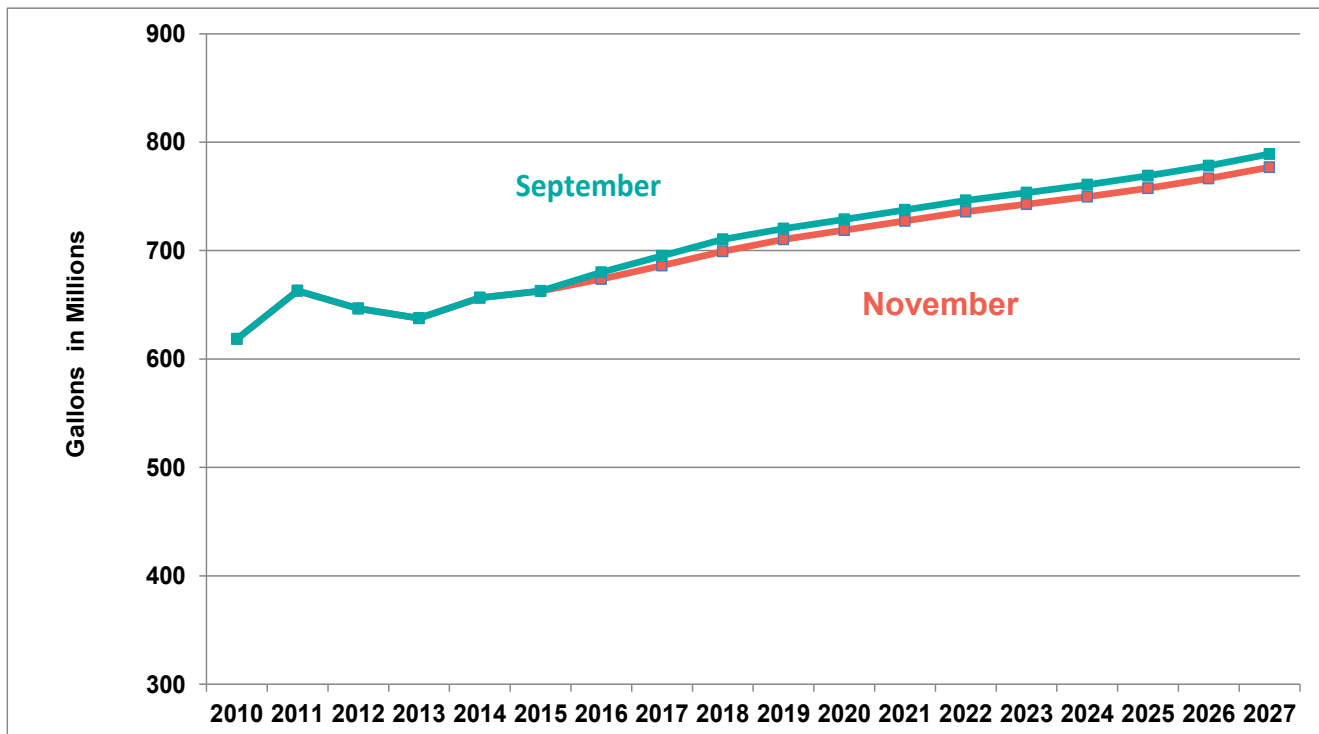
Trends in diesel consumption and tax revenue

- In FY 2013, consumption equaled 638 million gallons, a decline of 1.4% from FY 2012 gallons.
- In FY 2014, diesel consumption totaled 656 million gallons, an increase of 3.0% over consumption in FY 2013 gallons and the highest positive growth since FY 2011.
- In FY 2015, consumption grew to 663 gallons, an increase of 1.0% over FY 2014 gallons
- Figure 25 shows the forecast to forecast comparison of projected diesel consumption.

Over the forecast horizon from 2016-2027, diesel consumption will grow annually 1.3% on average, 0.6% lower than September's 1.36% average annual growth. Overall, from FY 2016-2027 forecasted consumption of diesel is down 1.4%, an average of 10.3 million gallons per year compared to the September 2015 forecast.

Diesel tax revenue totaled \$494.811 million in the 2013-15 biennium. In the 2015-17 biennium, diesel tax revenues are projected at \$628.4 million, a decrease of 1.22% or \$7.73 million less than the September forecast because of lower actuals in FY2016. In the 2017-19 biennium, diesel tax revenue decreases to \$697.1 million, \$10.4 million or 1.47% lower than September's \$707.5 million. Gross diesel tax revenue projections are lower by \$49.7 million or 1.39% from the September 2015 forecast for the 10-year forecast horizon.

Figure 25 Diesel Fuel Consumption Forecast Comparison: November vs. September 2015



Motor fuel tax refunds

Non-highway and tribal refunds of gasoline and diesel fuel are accounted for in the motor vehicle fuel tax forecast. These refunds simply lessen net motor fuel tax distributions. In the current biennium, gasoline non-highway refunds are projected to total 32.9 million and diesel non-highway refunds to total \$11.4 million. For gasoline non-highway refunds, this November forecast is projecting a \$9.4 million or 39.9% increase in non-highway refunds because higher tax rates and much higher export refunds for exported motor fuel. Non-highway diesel tax refunds are projected to decrease by 1.1% because of lower diesel gallons in the November forecast.

This November forecast includes the effects of a new annual forecast for tribal refund gallons and higher fuel tax rates applied to forecasted gallons predicted first in the September forecast. Tribal fuel tax refunds did not change in November from September. Final tribal fuel tax refunds for FY 2015 total \$29.875 million for gasoline and \$13.025 million for diesel. The long-term tribal fuel tax refund growth rates were based on an examination of fiscal year 2015 refunds by tribe and size of refunds by station. Gasoline tax tribal refund gallons are projected to grow by 1.5% per annum while diesel refund gallons are anticipated to grow by 6.6% per annum. At this time the November forecast, like the September and prior forecasts, assumes no Yakama tribe tribal fuel tax refunds in the baseline forecast.

Primary reasons for the change in the November 2015 forecast gallons and revenues

- Gasoline tax revenue collections for the past two months of FY2016 increased by \$9.4 million or 4.5% higher than collections forecasted in September 2015. For the past two months diesel tax collections came in lower than forecasted by \$0.8 million. Combined, gross fuel tax collections were \$8.6 million (3.3%) higher than the September.
- In the current biennium, gross gas tax collections are up by \$13 million or 0.5% but higher non-highway refunds are anticipated as well at an increase of \$9.4 million so the net gasoline tax collections is anticipated to be \$3.3 million. In future biennia, gas tax collections are up by \$24 million next biennium and that difference decreases some over the forecast horizon.
- Diesel tax revenues are down compared to September because of lower consumption actuals than expected and a lower economic forecast for employment in trade, transportation and utilities. In the current biennium, diesel tax collections are down by \$6.9 million compared to last forecast.
- Overall, in the current biennium, gross fuel tax revenues increase by \$6.2 million or (0.19%) from the last forecast. Over the 10-year forecast period, fuel tax collections are expected to grow by 0.21% or \$36.3 million when compared to September's forecast.

Figure 26 Short-term Motor Fuel Tax Forecast – By Month of Collection
November 2015

Millions of dollars

	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
Gasoline Taxes	\$1,220.2	\$1,391.5	\$2,611.7	\$1,416.0	\$1,422.3	\$2,838.3
Diesel Taxes	\$292.6	\$335.8	\$628.4	\$345.9	\$351.2	\$697.1
Total Fuel Revenue	\$1,512.8	\$1,727.4	\$3,240.2	\$1,761.9	\$1,773.5	\$3,535.4
Percent Change from Prior Forecast	0.47%	0.05%	0.19%	0.41%	0.37%	0.39%

Motor Vehicle Revenue (Licenses, Permits, and Fees)

Background

Vehicle related forecasts fall into two main categories: motor vehicle registrations and license plate-related fees. This forecast has a variety of small fees but the majority of the revenue is from registration-based fees. There are five main economic drivers for the vehicle licenses, permits, and fees (LPF) forecast: Washington population and net migration, Washington real personal income, Washington - U.S. real income share, Washington Retail Employment, and U.S. sales of light vehicles.

Washington State collected over \$1.042 billion from vehicle licenses, permits, and fees (LPFs) in the 2013-15 biennium. The forecast for the current biennium, 2015-2017, is \$1.246 billion, an increase of \$204 million over the 2013-15 biennium. In the November 2015 LPF forecast, compared to the forecast released in September for the current biennium, LPF revenue is up \$4.3 million, or 0.35% from the previous estimate of \$1.242 billion.

Trends in vehicle registrations

Fiscal year 2015 ended with 4,707,600 passenger cars registering. The passenger car forecast for 2016 is down from the September forecast by 0.15%. In September we forecasted 4,831,900 vehicles for 2016, because of slightly lower predicted personal income, we are now forecasting 4,824,700 passenger cars will register in fiscal year 2016. From 2016 through 2019, the annual growth rate ranges from almost 2.5% in the current year to 2.2% by 2019. After 2020, the year-over-year growth rate is anticipated to be 1.3%. The forecast to forecast change is down almost 0.2% in the near term and 0.1% by 2022 but then the current forecast of passenger vehicles is slightly higher than the last forecast for the remaining years of the forecast horizon.

Truck registrations ended fiscal year 2015 at 1,489,300 trucks. The truck forecast for the current fiscal year is 1,513,300, unchanged from the last forecast. Future year projections are down slightly in the near term, forecast to forecast, about 0.1%. From 2019 and beyond, the truck forecast is slightly higher than the previous forecast by about 0.2%.

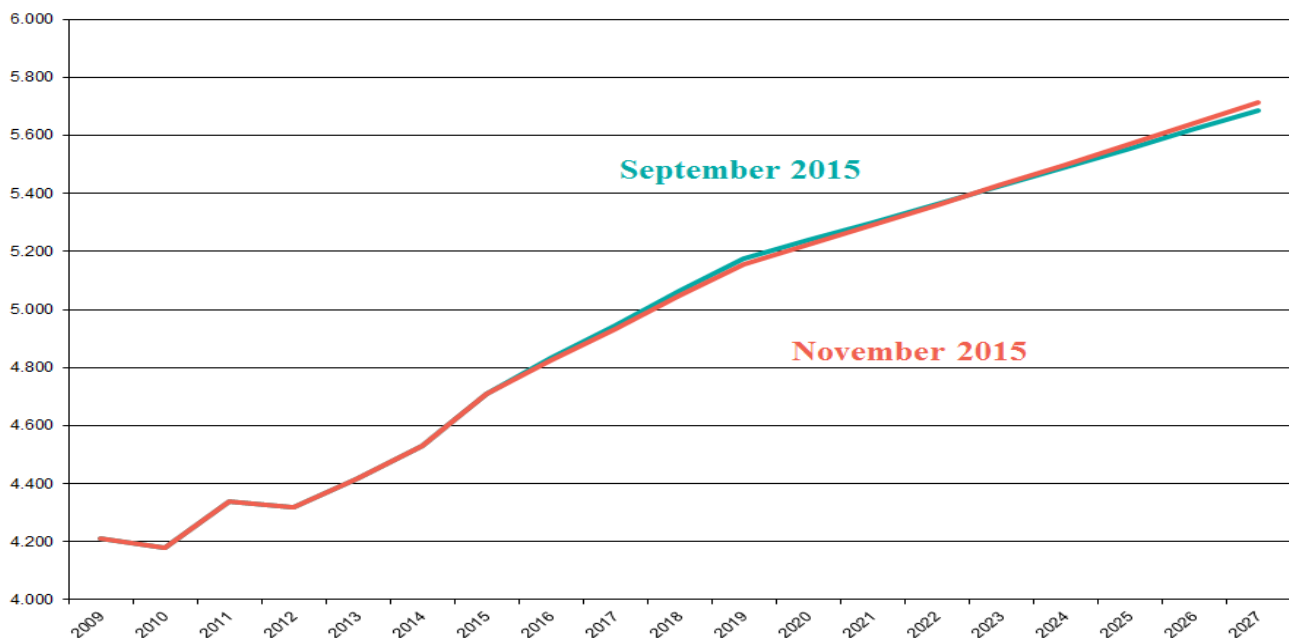
Trends in LPF revenue

As previously stated, Washington State collected over \$1.042 billion from vehicle licenses, permits, and fees (LPFs) in the 2013-2015 biennium. For that period, passenger vehicles (\$30 vehicles) brought in \$310 million, while trucks brought in \$361 million. In the current 2015-2017 biennium, revenue from \$30 vehicles is expected to be \$325.5 million, \$0.5 million less than the forecast in September. Truck revenue is anticipated to bring in \$400 million, \$79,000 less than the previous forecast. The decrease in \$30 vehicle revenue is due to slightly lower passenger car registrations, however, it is more impacted by a reevaluation of long term growth rates for motorcycles. The truck revenue decrease in the near term is due to slightly lower truck growth related to the Economic and Revenue Forecast Council's slight revision to retail employment. By the 2019-21 biennium, truck revenue increases from the previous forecast. In the next biennium, licenses, permits and fee revenue is higher than the last forecast by \$4.3 million due to increases in various registration related fees. The November forecast, like the September forecast, includes the LPF impact of the fee increases contained in the 2015 transportation revenue package, 2ESSB 5987.

The title fee forecast is tracking higher. The total forecast title revenue for the current biennium is \$68.5 million which is an increase of \$996,000 or 1.5% from prior forecast. The FY17-19 biennium forecast of total title revenue is \$69.3 million for an increase of \$988,300 or 1.4%. Future biennia has an average of .2% increase

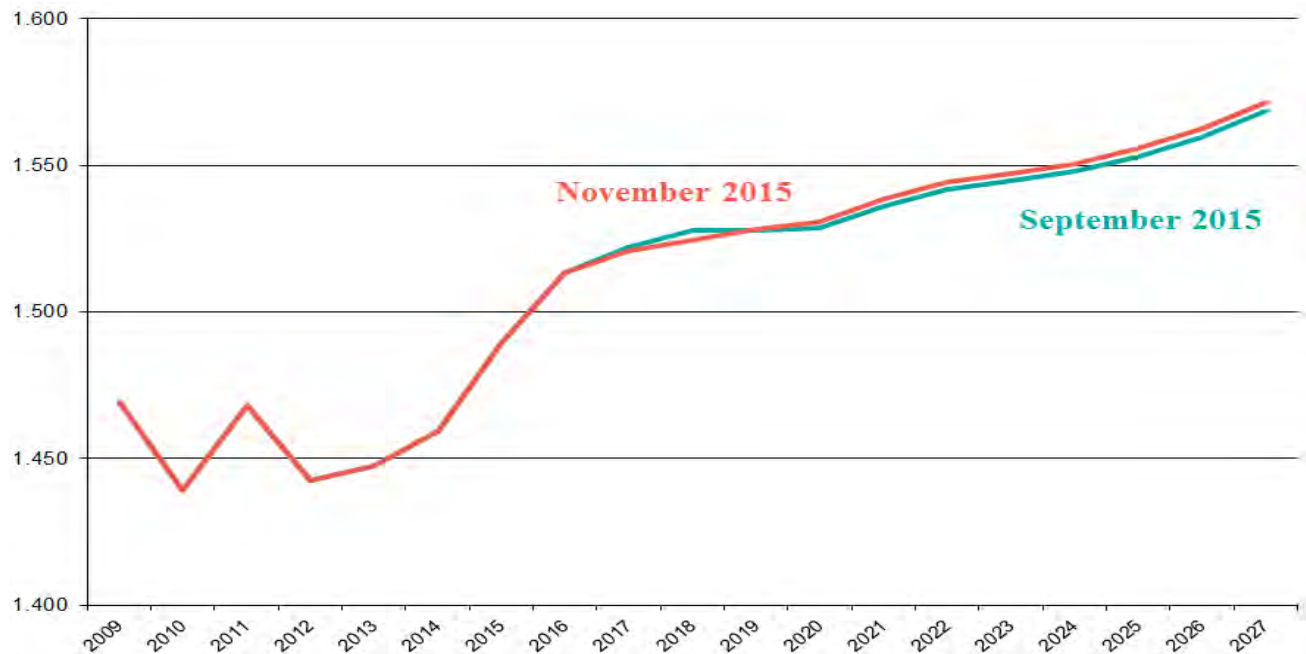
The vehicle original issue plate forecast is tracking higher due to strong vehicle sales and in-migration. FY2015-17 is up by \$766,900 or 2.67% and FY2017-19 is up by \$749,900 or 2.6%. Future biennia are up by an average of 0.9%.

Figure 27 Passenger Car Registrations Comparison
November vs. September 2015
millions of vehicles



**Figure 28 Truck Registrations Comparison
November vs. September 2015**

millions of vehicles



The dealer temporary permit forecast is partly due the plate replacement provision of 2014 legislation (E2SSB 5785) requiring dealers taking trade-ins to get dealer temp permits for those cars. The total forecast revenue for the current biennium is \$14.2 million, an increase of \$1.96 million or 16.1% over the prior biennium forecast. The FY17-19 biennium forecast of total revenue is \$14.1 million for an increase of \$2.1 million or 17.7% from the prior forecast.

The license plate replacement forecast for the current biennium is projected to be \$30.5 million, about - \$1.1 million (-3.4%) lower than prior forecast. Similar reductions are projected throughout the forecast horizon. The forecast change is primarily due to the change in plate replacement requirements legislation (2ESSB 5785, 2014) that took effect in January 2015.

The quick titles continue to grow; given it is a relatively new product. Total revenue from quick titles in this biennium is expected to reach \$3.0 million for a revenue growth of \$0.6 million (+27%). The next biennium is expected to be \$2.8 million, up 0.5 million (+21%) from prior forecast. SHB1157 (2015) changes the distribution of quick title revenue between county auditors and subagents. Subagents starting on January 1, 2016 will receive \$12.50 of the vehicle quick title service fee and the county auditor's share will decrease from \$25 to \$12.50. This may act as an incentive for subagents to encourage demand for quick titles.

The ferry services fee is a relatively new forecast with vehicle title service fees (\$12) and vehicle registration service fees (\$5) imposed by E2SHB 1129 (2014), effective January 1, 2015. Effective January 1, 2016 service fees will be applied to vessel transactions processed by the Department of Licensing (DOL) and county auditors per 2ESSB 5987 (2015). Revenue from a \$5 service fee for vehicle/vessel registration and a \$12 service fee for vehicle/vessel title related transactions is deposited into the Capital Vessel Replacement Account (18J). The underlying original title transactions have come in stronger than expected, resulting in slight gains in 18J revenue of about \$192,000 (0.6%) for the FY15-17 biennium. The outer biennia projections are essentially unchanged.

SHB 1480 (2015 legislative session) creates the new Intermittent-use class of trailers with a lifetime registration for a fee of \$187.50, effective January 1, 2017. In addition, Travel Trailers 30 years old or older will be eligible for collector vehicle plates, which are also lifetime registrations for a fee of \$30 each. Currently, the November forecast for the intermittent-use trailer revenue is based on the 2015 fiscal note estimates. The fiscal note assumed an average of \$10.8 million per biennium (FY2015-27) in additional revenue from the intermittent-use trailer registrations. Prior to implementation, DOL will conduct an in-depth analysis of currently registered trailers (travel trailers, other trailers, and personal trailers) to identify trailers that would be eligible for an intermittent-use registration as well as those eligible for the collector vehicle plates.

Primary reasons for the forecast changes

- Forecasted passenger vehicle registrations for FY 2016 are lower from the previous forecast due to slightly lower personal income.
- Forecasted truck registrations are down from the previous forecast due to slightly lower employment projections.
- Overall, LPF revenues are up \$4.3 million in the current biennium compared to the last forecast. Most of this increase is due to various increases in registration related fees.
- In the next biennium, LPF revenues are up \$1.7 million from the last forecast.
- The November forecast, like the September forecast, includes the LPF revenue impact from the higher and new fees adopted in the 2015 transportation revenue package.

Figure 29 Short-term Motor Vehicle Related Revenue (Licenses, Permits and Fees)
November 2015

millions of dollars (totals may not add due to rounding)

	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
Basic \$30 License Fee	161.2	164.3	325.5	167.5	171.1	338.6
Combined License Fee	181.2	218.9	400.1	219.4	220.0	439.4
All Other Fees	207.1	313.4	520.5	324.7	326.3	651.0
Total LPF Revenue	549.5	696.6	1,246.1	711.6	717.4	1,429.0
% Change from Prior Fct	0.44	0.27	0.35	0.13	0.11	0.12

Driver Related Revenue Forecasts

The November 2015 forecast of driver related revenue projected by the Department of Licensing includes the following revenues: driver license fees (including commercial driver licenses, enhanced driver licenses, and temporary restricted licenses), ID card fees, driver exam application fees, copies of records, motorcycle operator fees, ignition interlock fees, and other miscellaneous fees. The miscellaneous fees include vehicle filing fees, limousine licenses, fines and forfeitures, and driver school instructor license fees. These driver-related fees are deposited into the Highway Safety Fund (HSF), Motorcycle Safety Education Account (MSEA), the State Patrol Highway Account (SPHA), and Ignition Interlock Revolving Account (IIRA).

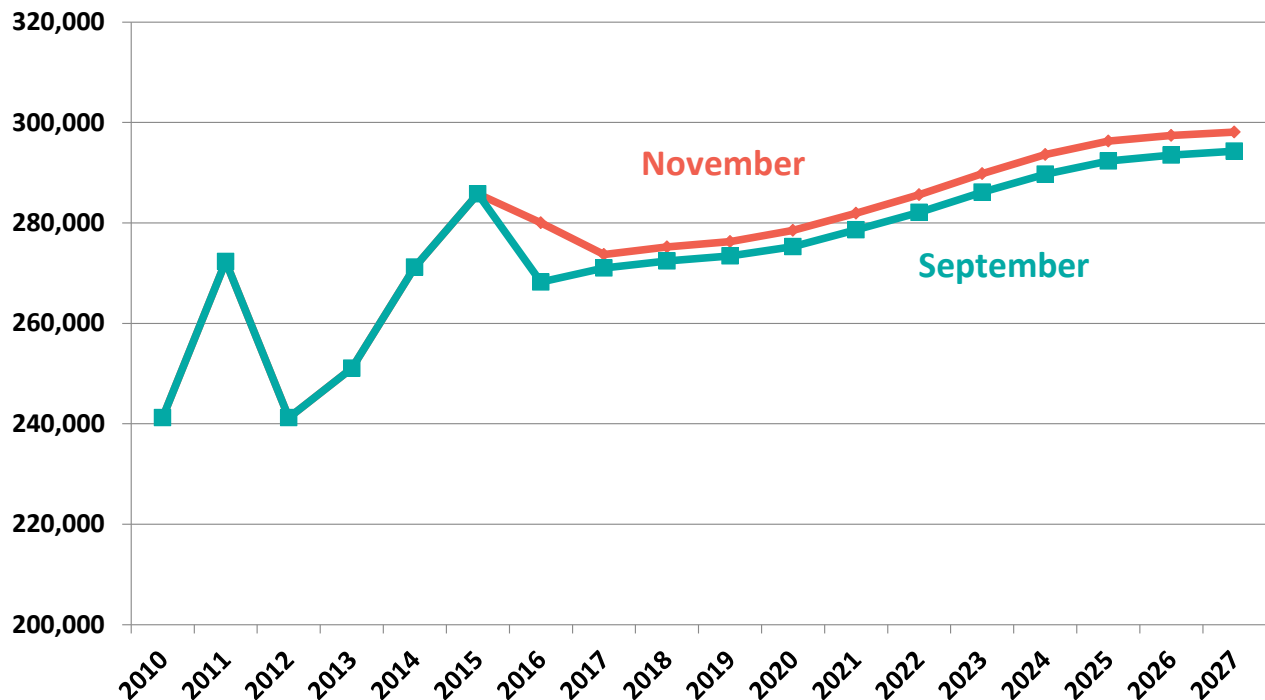
All driver-related revenue for FY15-17 biennium is forecast at \$304.3 million, about \$3.8 million (or +1.3%) higher than the prior forecast. Revenue for FY17-19 biennium is projected to be \$294.0 million, about \$0.4 million (+0.1%) higher from the prior forecast.

It is important to note that many of the driver related revenue streams follow a five-year renewal cycle until FY2015 when it becomes a six-year cycle. Caution is advised in year over year comparisons.

Trends in Licenses, ID Cards, Exams, and Abstracts of Driver Records

The original driver licenses forecast is driven by ERFC's non-agricultural employment, OFM population 16-18, and drivers coming from out of WA. With continued strength in driver-in migration, this forecast is raised 4.4% for FY16 and about 1% higher throughout the forecast horizon (Figure 30). Similar increases are seen in related transactions such as license applications, exams, and ID cards.

Figure 30 Driver License Originals November vs. September 2015



The driver license renewals forecast is unchanged in the near term, with outer years starting FY22 echoing higher originals from FY16 out (Figure 31).

The enhanced driver Licenses/IDs (EDL/EID) recent media stories around the federal REAL ID requirements apparently created a rush in EDL/EID demands in recent weeks. It is expected the strong momentum will continue at least through FY16 before the fee triples in FY17. Based on weekly actual to date, this forecast is increased by 53% for FY16, and an average of 23% in the out years.

Figure 31 Driver License Renewals and Extension November vs. September 2015

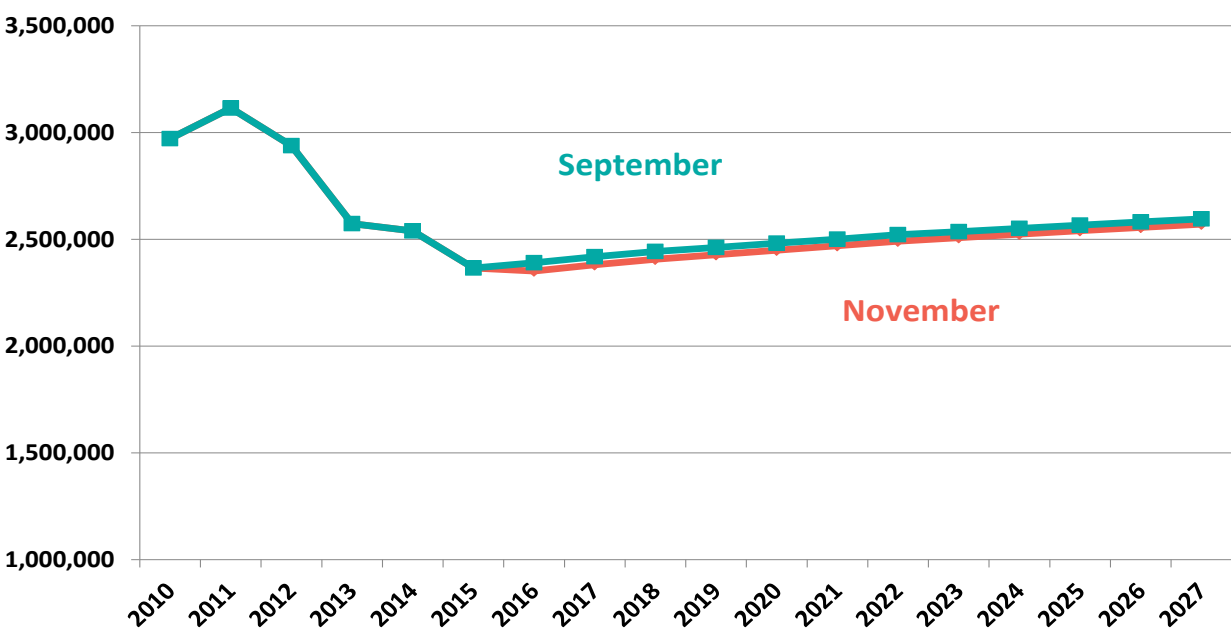
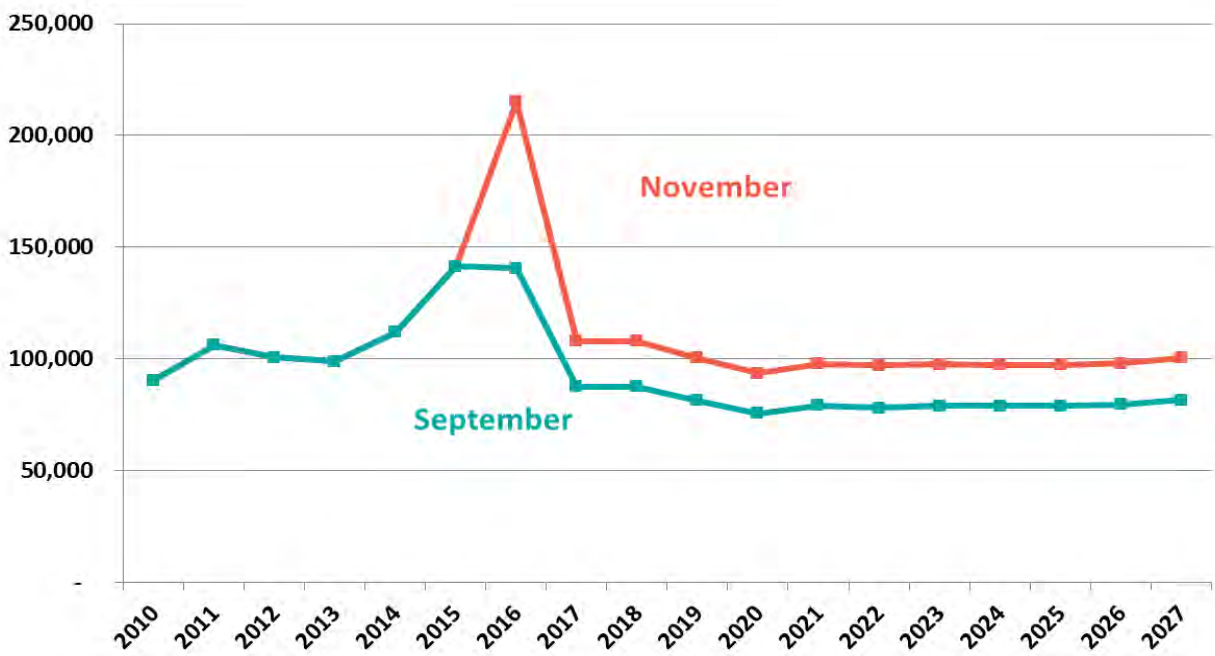
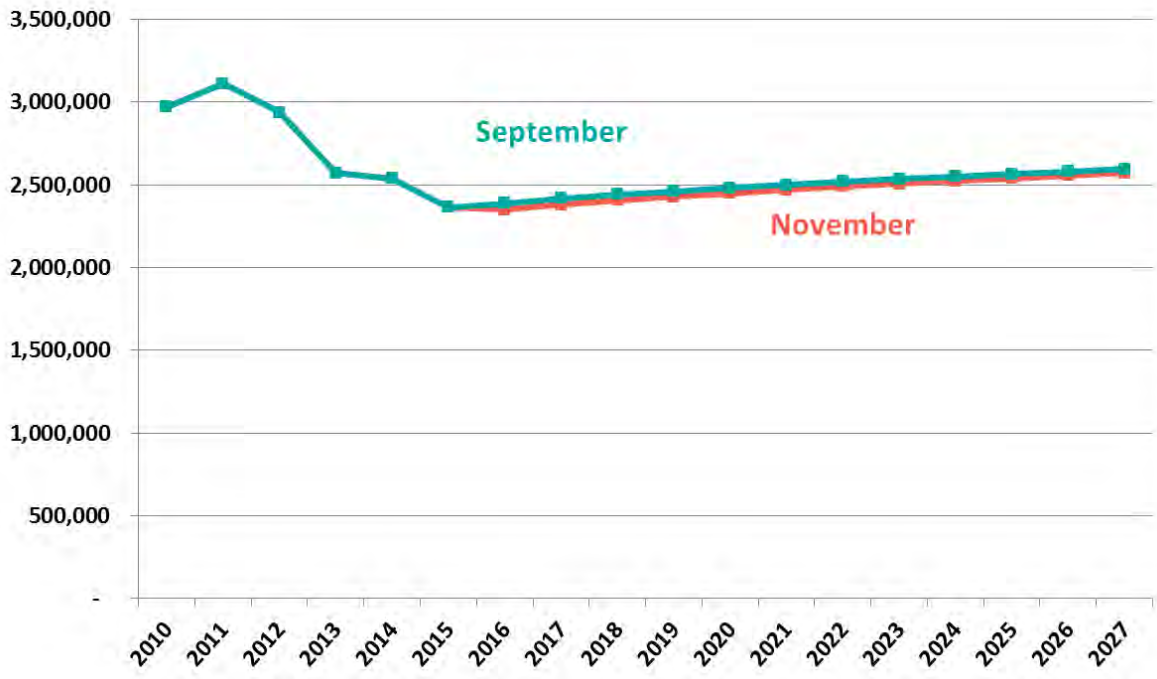


Figure 32 Enhanced Driver Licenses/ IDs November vs. September 2015



The abstract of driver record (ADR) forecast is tracking lower with new historical lows in the last couple of months. The forecast is lowered by -1.6% for the current biennium, and about -1% in the out years.

Figure 33 Annual ADR Sales Volume – November vs. September 2015 Forecasts



Trends in Driver Related Revenue

Highway Safety Fund

Total Highway Safety Fund (HSF) revenue for the FY15-17 is projected to be \$262.0 million, about \$4.2 million (+1.6%) higher. For the FY17-19 biennium this fund is projected to be \$251.2 million, about \$0.8 million (or +0.3%) higher than the prior forecast. Current biennia revisions are due primarily to revised higher driver-in migration and strong EDL/EID issuances. Future biennia increases are due primarily to EDL/EID increases in the context of federal REAL ID requirements.

State Patrol Highway Account

The State Patrol Highway Account receives \$6.50 for each sale of an Abstract of Driver Record (ADR). Revenue for the current biennium is projected to be \$30.1 million, down about \$496,400 (-1.6%) from prior forecast. FY17-19 is projected to be \$31.4 million, down about \$456,500 (-1.4%).

Motorcycle Safety Education Account Trends

The Motorcycle Safety Education Account receives revenue from the following sources:

- motorcycle license original and renewal endorsements
- motorcycle instruction permits
- motorcycle endorsement application fees.

The survivor rate was updated to be 81.6%, compared to 78.8% in the prior forecast. The current biennium revenue is forecast to be \$4.9 million (up \$36,700 or +0.8%) from the September forecast. The next biennium revenue is also up by about \$33,000 or +0.7%.

Ignition Interlock Device Revolving Account

This revenue stream is tracking a little higher. The FY15-17 is expected to be \$6.6 million (up \$49,300 or +.75%) from prior forecast, with updated actual through October. Revenue in the outer biennia is revised up by about \$91,000 or 1.4%.

Primary reasons for the change in driver related revenue are:

- Increased demand for EDL-EID with Real ID requirements reported in the media in recent months;
- Continued strength in driver-in-migration, resulting in more driver learning permits, driver exams, as well as first time driver license issuances.

Figure 34 Short-term Driver Related Revenue Forecasts November 2015 Forecast
(Millions of dollars)

Driver Related Revenue	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
Total Highway Safety Fund	\$133.7	\$128.3	\$262.0	\$127.3	\$123.9	\$251.2
Drivers License Fees	113.2	107.7	220.9	106.4	102.9	209.4
Copies of Record Fees	17.5	17.7	35.3	17.9	18.1	36.0
Other smaller misc. Fees	3.0	2.9	5.9	3.0	2.9	5.9
Total Motorcycle Safety Education Account	2.4	2.4	4.9	2.4	2.5	4.9
Total State Patrol Account	15.3	15.5	30.8	15.6	15.8	31.4
Total Ignition Interlock Device Revolving Account	3.4	3.2	6.6	3.2	3.2	6.5
Total Driver Related Revenue	\$154.8	\$149.5	\$304.3	\$148.6	\$145.4	\$294.0
Level change from prior forecast	\$3.6	\$0.2	\$3.8	\$0.2	\$0.2	\$0.4
Percent change from prior forecast	2.4%	0.1%	1.3%	0.1%	0.2%	0.1%

Other Transportation Related Revenue Forecast

This category of transportation related revenue forecasts consist of four primary components: vehicle sales and use taxes, rental car sales taxes, business and other revenue and aeronautics revenue.

Vehicle Sales and Use Tax

In FY 2010, total spending on new US light vehicles grew to \$305 billion which represented a 10.9% annual growth. In FY 2011, spending on light vehicles grew 16.2% from FY 2010. In FY 2012, US spending on light vehicle sales also grew 13.7% to \$403 billion. In FY 2013, US spending on light vehicle sales was \$449 billion; an increase of 11.5% year over year. In FY 2014, US spending on light vehicles was \$480 billion; an increase of 7.2% year over year. In FY 2015, US spending on light vehicles was \$519 billion; an annual increase of 8.2%. The FY 2016 forecast for US spending on new motor vehicles is expected to be \$569 million or 9.5% annual increase which is up 2.6% from September. In FY 2017, US spending on new motor vehicles is projected to be \$602 million and this is 3.4% higher than the previous forecast. From FY 2018 through FY 2024, the new forecast is higher from the last forecast by 4.3% to 1.0%. From FY 2025 through FY 2027, the forecast is slightly lower.

The actual vehicle sales and use tax collections in the 2007–09 biennium was \$62.7 million, and the sales and use tax collections in the 2009-11 biennium declined to \$54.4 million. In the 2011-13 biennium, the sales and use tax collections were \$63.3 million. In the 2013-15 biennium, the sales and use tax collections were \$77.5 million. Actual tax collections in FY 2015 came in at \$40.5 million. In the last two months, sales and use tax collections came in above forecast: sales taxes were up by \$404,000 and use taxes were up by \$31,000. In the current biennium, sales and use taxes are projected at \$89.8 million which is up 3.3% from past forecast. In the 2017-19 biennium, the sales and use tax collections are projected to be \$95.3 million which is up 4.1% from the last forecast. In the 2019-21 biennium, the forecast of sales and use taxes are up forecast to forecast by 4.2% at \$4.0 million. Over the 10 year forecast period, vehicle sales and use taxes are anticipated to be up from the last forecast by \$19 million or approximately 4.1%. Since the September forecast, the forecast for U.S. new cars sales is higher in the near term and then slightly lower in the outer years. This, along with the higher actuals and very strong growth to date are the primary reasons for the forecast change.

Rental Car Sales Tax

The rental car sales tax collections were \$44.5 and \$46.7 million in the 2009-11 and 2011-13 biennia. In the 2013-15 biennium, rental car sales tax was \$56.0 million. Actuals since the last forecast have been higher than projected: \$593,000 (8.7%). In the 2015-17 biennium, revenues are projected to be \$62.8 million which is an increase since the September forecast. The change from the prior forecast fairly steady over time and by the 2025-27 biennium, the change from the last forecast is 2.4% or 1.8 million. Over the 10-year forecast horizon, the rental car tax is anticipated to bring in approximately \$7.9 million more than the last forecast.

Business and Other Revenue

The business and other revenue category includes the following revenue sources:

- Sales of property
- WSP and DOT services and publications and documents
- Filing fees and legal services
- Property management
- Other revenues

Each biennium the sale of property revenue category has a unique set of properties available to be sold, making biennium to biennium comparisons difficult. Revenue from sale of property for 2013-15 biennium was \$12.19 million. Projections for the 2015-17 biennium sale of property is anticipated to be \$12 million which is no change from the previous forecast. The 2013-15 biennium total DOT business related revenues were \$19.05 million. All business related revenues in the 2015-17 biennium are anticipated to be \$18.86 million, which is no change from the last forecast. Next biennium, the business related revenue forecast has only minor changes from the last forecast from the updated inflation and population forecasts. The outer biennia change in the forecast also reflects minor revenue adjustments which are due to incorporating new forecasts for inflation and

population.

The School zone fine for the Washington Traffic Safety Commission is a fee assessed for traffic violations in school zones and the revenue from the fee is deposited into the School Zone Safety Account. The revenue from this fine varies greatly from month to month. In 2011-13, the revenue for fines assessed in school zones was \$1.6 million. In the 2013-15 biennium, the revenue from school zone fines was \$1.23 million, which was down biennia to biennia by 23%. In the current biennium, the forecast for the school zone fines are anticipated to be \$1.1 million which is down by 5.5% from the last forecast due to lower actuals than expected in the last forecast. The forecast is down by a corresponding percentage each biennium throughout the future horizon.

State Patrol Highway Account miscellaneous revenue consists of ACCESS fees (fees charged for usage of our statewide law enforcement telecommunications system), Breathalyzer Test fines, DUI Cost Reimbursement, and Terminal Safety Inspection fees. Revenue for Commercial Vehicle Penalties and Communication Tower Site Leases was added to the forecast in September 2013.

Highway Safety Account revenue consists of certification and calibration fees charged to ignition interlock manufacturers, technicians, providers, and persons required to install an ignition interlock device in all vehicles owned or operated by that person. This revenue source was incorporated into the forecast first in September 2012. Revenue estimates have been updated using the past year's actuals.

The November 2015 WSP business related revenue forecast for the current biennium is \$11.5 million, which is the same as the previous quarter's prediction. All revenue estimates have been compared to actuals through October 31, 2015 and the four year averages remain consistent with the September forecast. In September 2013, the WSP added two new fees; the Commercial Vehicle Penalties and Communication Tower Site Leases. In the current biennium, these-revenues are projected at \$600,000 and \$748,900 respectively, which is the same as the September forecast. The terminal safety inspection fee revenue is forecasted at \$2.7 million, which is unchanged from the last forecast. The only change in the future is the WSP access fees, which is adjusted slightly from changes in population in this forecast. The same trend continues in the next biennium with the total fee revenue estimated at \$11.6 million for the 2017-19 biennium. The forecast remains consistent each biennia thereafter with the last biennium forecast for WSP business related revenue forecast to be \$12 million in the 2025-27 biennium, up slightly due to an increase in the forecast for WSP Services from FY 2018 and beyond.

The aeronautics tax forecast includes excise, registrations and fuel taxes as well as transfers. The aviation fuel tax is the largest component of the aeronautics tax forecast. The aeronautics tax collections were \$5.7 million in the 2007-09 biennium. In the 2009-11 biennium, the aeronautics account tax collections were \$5.8 million and the revenue was \$6.4 million in the 2011-13 biennium. In the 2013-15 biennium, the aeronautics account revenue was \$5.877 million, which is nearly the same as last forecast. In the current biennium, the forecast for the aeronautics account is \$5.811 million and this November forecast is down \$1.184 million from the last forecast due to lower aviation fuel tax revenue from large aviation amended returns.

Aviation excise, dealers licenses and registration fees are unchanged from the last quarter's projections. The Legislature adopt SSB 6057 in 2015 which changed the distribution of the aircraft excise tax from being ninety percent to the general fund and ten percent to the aeronautics account to all being distributed to the aeronautics account. Besides the change in the aviation fuel tax forecast, there is a minor change in the aviation registration fees and excise tax due to new actuals being incorporated into the November forecast. The forecast of the motor vehicle fuel tax transfer for the aeronautics account is up \$5,400 in the current biennia than last forecast due to higher fuel consumption and tax projections in November. This continues throughout the forecast horizon and this trend is consistent with the September forecast.

In the 2011-13 biennium, the aircraft registrations, excise and dealers' taxes, which are a small portion of the total aeronautics revenue, were \$1.43 million. In the 2013-15 biennium, the aircraft registrations, excise and dealers' taxes as well as the fuel tax transfer were \$1.5 million. In the current biennium, aircraft excise taxes are anticipated to be \$693,400 and in the next biennium, aircraft excise tax increase slightly to \$701,800.

Aviation Fuel Tax

The November aviation fuel tax forecast incorporates amended tax returns going back 5 years that amount to approximately \$1.1 million in total aviation fuel tax refunds. The amounts/gallons for FY2010-15 have been adjusted down thereby revising history and the aviation consumption forecast model has been re-run to evaluate the impact of having lower historical aviation consumption on the aviation fuel tax forecast. The November forecast is significantly lower by -\$1.15 million or -21.75% in the current biennia and future biennia is revised down by an average of -4%.

Studded Snow Tire Fee

Studded Snow Tire fees were new in the September forecast as they were part of the 2015 Transportation Revenue package (2ESSB 5987). This November forecast has no change in the studded tire fee forecast from September. This fee is collected by the Department of Revenue (DOR) from the sellers of studded snow tires at the time of purchase of new studded tires. This fee is \$5 per tire that contains studs. This fee revenue is distributed to the Motor Vehicle fund. The September forecast for this Studded Snow Tire fee is based on the DOR fiscal note for the bill. The initial estimates assume the studded tire fee begins in FY 2017 but only for a partial year so for the first year, the studded tire fee is only expected to generate \$203,000 but in years 2018 and beyond the studded tire fee is expected to produce approximately \$0.5 million per year.

Primary reasons for the forecast changes

- Vehicle sales and use tax revenue is up slightly by \$2.8 million or 3.3% in the current biennium since the last forecast due to updated actual collections and higher national forecast of US spending on light vehicles. In the next biennia and future biennia, new vehicle sales tax revenue is also up from the last forecast.
- Rental car tax revenue is up \$1.45 million, 2%, in the current biennium due to higher collections in recent months than anticipated and stronger economic variables. In next biennium, the change in the rental car tax revenue is also up 2% from September. In all future biennia, the rental car forecast is also up from the September forecast by 2%.
- WSDOT Business and other miscellaneous revenue is nearly no change from the last forecast. In the current biennium, there is no change from September. In future biennia, the only changes to the forecast are minor revisions due to the new population and inflation forecasts in November.
- The school zone fines forecast was decreased slightly in the 2015-17 biennium due to actual revenue coming in lower than expected. This reduction in the current biennium continues throughout the remainder of the forecast horizon.
- WSP business related revenue in November is nearly a no change from the September forecast. The only change is in the WSP Access fees which have been revised minimally due to population changes.
- The major change in the aeronautics account is in the current biennium due to large aviation fuel tax refunds in FY 2016. This lowers the aeronautics account forecast by \$1.16 million in the current biennium. The future year's forecast of aviation fuel taxes is down by an average of 4% each year.
- In the current biennium, total business related revenues are projected at \$190 million, which is up by \$3 million or 1.6% from the last forecast.
- In the next biennium, total business related revenues are projected at \$198.2 million, which is \$5.1 million or 2.7% higher than the last forecast. The majority of the increase is due to higher vehicle sales and use tax revenue and rental car sales tax being higher than the last forecast.

**Figure 35 Short-term Other Transportation Related Revenue
November 2015**

millions of dollars

	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
Rental Car Sales Tax	\$31.0	\$31.7	\$62.7	\$32.5	\$33.1	\$65.6
Vehicle Sales & Use Tax	44.0	45.8	89.8	47.1	48.2	95.3
Studded Tire Fee		0.2	0.2	0.5	0.5	1.0
DOT Business/Other Rev	9.4	9.4	18.8	8.3	8.3	16.6
WSP Business/Other Rev	5.7	5.7	11.4	5.8	5.8	11.6
WA Traffic Safety Comm.	0.5	0.6	1.1	0.5	0.6	1.1
Aeronautics Taxes/Fees	2.4	3.4	5.8	3.5	3.5	7.0
Total Other Transportation Related Revenue	\$93.0	\$96.8	\$189.8	\$98.2	\$100.0	\$198.2
% Change from Prior Fcst	0.6%	2.3%	1.5%	2.6%	2.7%	2.6%

Ferry Ridership and Revenue

Ferry Fare Ridership and Revenue Forecasting Process

For the November Forecast, the fare revenue and ridership forecasts for Washington State Ferries are completed in four stages applying to seven fare categories. The seven fare categories are:

- Passenger full fares
- Passenger frequent user discounted (commuter) fares
- Passenger other discounted fares (e.g., senior fare, youth fare)
- Auto / driver full fares
- Auto / driver frequent user discounted (commuter) fares
- Other vehicle / driver discounted (senior/disabled and motorcycle) fares
- Oversize vehicle / driver (over 22 feet in length) fares

The November 2015 Baseline Forecast includes actual revenue collections and ridership counts through October 2015. The Washington State Transportation Commission adopted new ferry tariffs on August 4, 2015, which went into effect on October 1, 2015 and have been incorporated into the September and November Baseline Forecasts. These include the following fare changes:

- A 1% passenger fare increase and a 2.5% vehicle/driver fare increase, rounded to the nearest nickel, on October 1, 2015 (FY 2016)
- A second 1% passenger fare increase and a 2.5% vehicle/driver fare increase, rounded to the nearest nickel, on May 1, 2016 (FY 2016)
- The elimination of the overweight fare surcharge applicable to vehicles under 22' in length and over 7'6" high, effective October 1, 2015

The November Baseline Forecast scenario excludes any future fare revisions beyond the May 1, 2016 increase, resulting in declining real fares over time as the result of general price inflation.

The November 2015 ridership demand forecasts reflect the latest updated demographic and economic variable forecasts provided by the State and commercial sources. Overall, the November Baseline Forecast

ridership is 0.8% lower in FY 2016, and 0.7% lower in FY 2017, with the percentage decrease generally tapering off thereafter, compared to September. The forecasts for trade, transportation and utilities employment and also retail employment have been revised upward over the forecast horizon. However, overall non-agricultural employment is down slightly. Together, these have mixed effects on ridership. The forecast for real personal income is slightly higher through FY 2017, then becoming lower thereafter, contributing similarly to the ridership forecast trends.

Real gasoline prices reflect a mix of revisions averaging slightly lower through FY 2019 and significantly higher thereafter, relative to September. Changes in real gas prices tend to have an inverse effect on the vehicle ridership forecasts.

The Washington State population projections have been revised for the November 2015 forecast, with minor upward revisions to the adult age population projections with more than twice upward revisions in percentage terms projected for population over age 65. Forthcoming revised county-level population forecasts, including trends in retirement age population for Kitsap, San Juan, and Island counties, will be used to update the working age population indices that go into forecasting commuter passenger and commuter vehicle ridership. These population indices, which are derived from data by age group and weighted based on ridership levels for routes associated with the specific counties, will be updated and incorporated into the February 2016 forecast.

Trends in Passenger Fare Ferry Ridership

FY 2010 passenger ferry ridership reached 12,453,226, or 1.0% less than in FY 2009. Actual passenger ridership for FY 2011 was 12,242,320, or 1.7% lower than FY 2010, and includes a database correction prior to which foot passengers on the Mukilteo-Clinton route were double-counted. FY 2012 passenger ridership came in at 12,236,081, or 0.1% lower than the previous year. FY 2013 passenger ridership came in at 12,350,126, or 0.9% higher than the previous year. FY 2014 closed out with passenger ridership of 12,696,936, or 2.8% higher than the previous year, and FY 2015 saw passenger ridership come in at 13,270,874, a year-over-year increase of 4.5%.

For FY 2016, passenger ridership is expected to be 13,208,000, a decrease of 0.6% from the prior forecast and a year-over-year decrease of 0.5%. Over the rest of the forecast horizon, the passenger ridership projections range from 0.5% lower in FY 2017 to 0.6% higher in FY 2027, compared to the September Forecast.

Trends in Vehicle/Driver Fare Ferry Ridership

Vehicle/ driver ridership was 10,134,311 in FY 2010, or 2.2% higher than in FY 2009. In FY 2011, vehicle/driver ridership came in at 9,968,973, 1.6% lower than in FY 2010. For FY 2012, vehicle/driver ridership was 9,983,059, 0.1% higher than the previous year. For FY 2013, vehicle/driver ridership came in at 10,045,043, which represents a predicted year-over-year increase of 0.6% from FY 2013. FY 2014 finished with vehicle/driver ridership of 10,154,905, a year-over-year increase of 1.1%, whereas FY 2015 saw vehicle/driver ridership come in at 10,387,368, a year-over-year increase of 2.3%.

For FY 2016, vehicle/driver ridership is expected to be 10,600,000, a 0.9% decrease from the prior forecast and a year-over-year increase of 2.0%. Over the rest of the forecast horizon, the vehicle/driver ridership projections range from 0.9% lower in FY 2017 to 0.7% lower in FY 2019 to 1.5% lower in FY 2022, compared to the September Forecast.

Overall Trends in Ferry Ridership

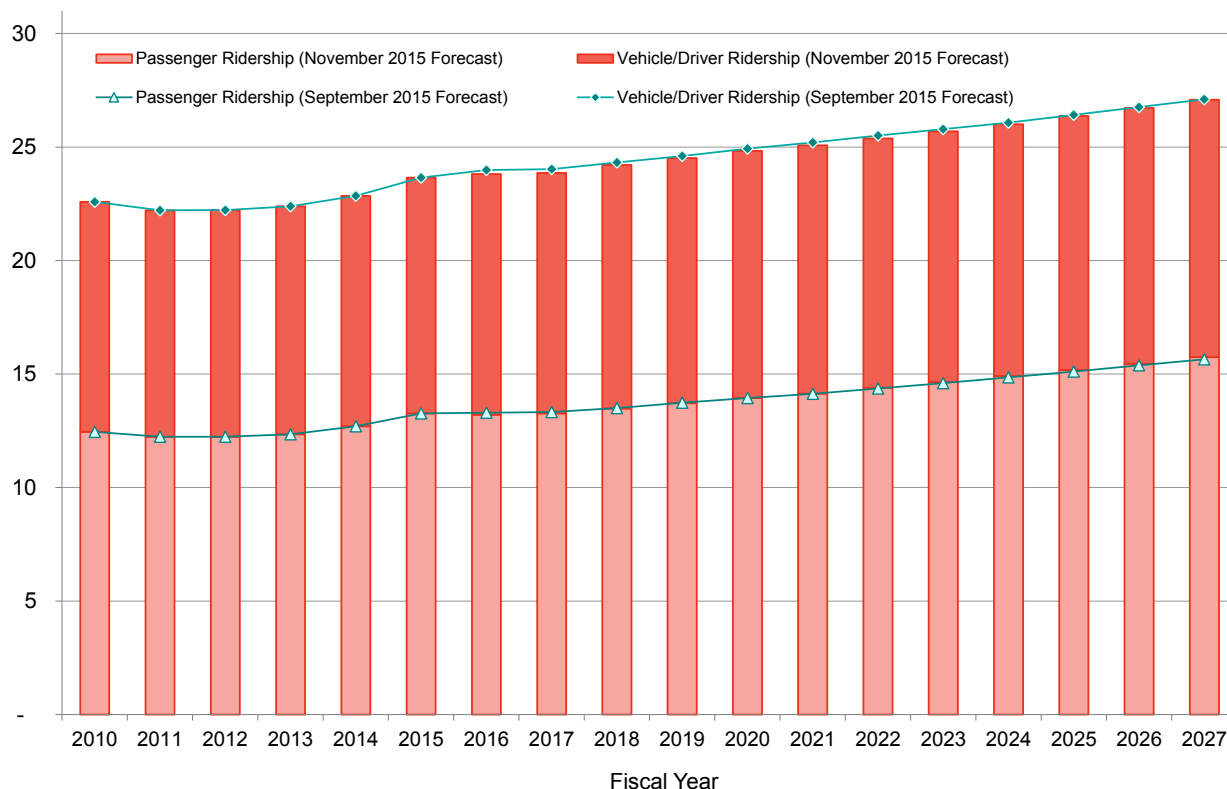
Total ferry ridership in FY 2010 and FY 2011 was 22,587,537 and 22,211,293 respectively, with the FY 2011 value representing a year-over-year decrease of 1.7%. In FY 2012, total ridership was 22,219,140, which represents less than one-tenth of one percent annual growth from FY 2011. For FY 2013, total ridership came

in at 22,395,169, for a year-over-year increase of 0.8%. In FY 2014, total ridership increased by 2.0% to 22,851,841, and in FY 2015, it increased by 3.5% to 23,658,242.

For FY 2016, total ridership is forecasted to be 23,808,000, 0.8% lower than the previous forecast, resulting in year-over-year growth of 0.6%. For the rest of the forecast horizon, projected overall ridership ranges from 0.2% higher in FY 2017 to 1.4% higher in FY 2027, compared to the September forecast.

Figure 36 illustrates the trends and changes from the prior forecast for passengers, vehicles/drivers and total ferry ridership over the forecast horizon.

**Figure 36 Comparison of Ferry Passenger and Vehicle Ridership
November vs. September 2015 Baseline** *Millions of Riders*



¹ FY 2016 includes actual ridership through October 2015.

Trends in Ferry Revenue

The November 2015 ferry revenue projections for the Baseline Forecast include the projected effects of the aforementioned tariff revisions adopted by the Commission on August 4, 2015. In the 2007-09 biennium, ferry farebox and miscellaneous revenues totaled \$300 million, with fare revenue comprising \$292.9 million of that amount. For the 2009-11 biennium, total fare and miscellaneous revenues increased by less than 0.5% over the previous biennium to \$300.7 million, with farebox revenue representing \$294.5 million of the total. For the 2011-13 biennium, total fare and miscellaneous revenues came in at \$324.1 million, which is 7.8% more than the previous biennium. Of this amount, farebox revenue represented \$317.1 million. Total fare and miscellaneous revenues for the 2013-15 biennium came in at \$350.9 million, an increase of 8.3% over the previous biennium. Farebox revenue comprised \$343.4 million of this total, divided as nearly \$335.9 million in base fares and nearly \$7.6 million in capital surcharge collections.

Total fare and miscellaneous revenues forecasted for the 2015-17 biennium amount to \$374.3 million, or 0.6% lower than forecasted in September. Of this amount, farebox revenue comprises \$366.4 million and is divided as \$358.5 million in base fares (lower by 0.5%) plus \$7.9 million in capital surcharge collections (lower by 1.3%).

Compared to September, the current Baseline Forecast for fare revenue is anticipated to range from 0.4% lower for the 2017-19 biennium to 0.8% lower for the 2021-23 biennium, before reaching 0.6% lower for the 2025-27 biennium.

Ferry Capital Surcharge Revenue

The ferry capital surcharge of \$0.25 per fare sold was implemented in October 2011 and is included in the Baseline Forecast as noted above. For FY 2016, the November forecast for capital surcharge revenue is \$3.9 million, which is \$0.08 million or 2% lower than the September projection.

Ferry Miscellaneous Revenue

WSF's FY 2015 miscellaneous revenue data as well as projections from concession and services vendors form the basis for the future miscellaneous revenue forecasts.

The miscellaneous forecasts have been modified based on revised ridership projections, the most recent revenue collections, Operations Manager estimates, and projections by vendors. In general, vessel non-fare revenues are down from September, primarily driven by the need to credit one of the galley vendors for overpayment to the state for the duration of their contract. Terminal non-fare revenue is up slightly in the 2015-2017, with the forecasts unchanged in subsequent biennia. The reduction in vessel non-fare revenue is carried forward to the end of the forecast horizon. The February 2016 forecast will include revenue estimates from a new vessel galley vendor.

Primary Reasons for the Forecast Changes

- Total forecasted ferry riders for the November Baseline Forecast are down 0.8% in FY 2016 as a result of recent ridership trends and no significant near-term changes to the economic forecast drivers compared with the September forecast. However, FY 2016 ridership overall is still projected to be 0.6% higher than FY 2015, during which ridership grew by 3.5% over FY 2014, the highest annual rate of growth witnessed since FY 1998.
- FY 2016 ferry fare revenues for the November Baseline Forecast are down \$0.7 M or 0.4% from September. Thereafter, the decrease in revenues ranges from 0.4% in FY 2019 to 0.9% in FY 2022, and is due to the effects of higher projected real gasoline prices and slightly lower real personal income more than offsetting other effects that tend to push ridership and revenues higher.
- Miscellaneous revenue forecasts for the 2015-2017 biennium are generally down (2.3%) due to crediting a galley vendor for overpayment to the state. By type, vessel non-fare revenues are down (9.2%) and other non-fare (terminal) revenues are up slightly, 0.9%. The February 2016 forecast will include revenue estimates from a new vessel galley vendor.

Figure 37 Short-term Ferry Revenue November 2015 Baseline*Millions of Dollars*

	FY 2016	FY 2017	15-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
Farebox Revenue	177.24	181.22	358.46	183.60	185.22	368.81
Capital Surcharge Revenue	3.92	3.98	7.91	4.04	4.08	8.12
Misc. Ferry Revenue	3.87	4.03	7.90	3.71	3.81	7.52
Total Ferry Revenue	185.03	189.24	374.27	191.34	193.11	384.45
% Change from Prior Forecast	-0.5%	-0.5%	-0.6%	-0.5%	-0.5%	-0.5%

Toll Revenue

There are four types of toll payments in the state: (1) Good To Go! (GTG) account with a transponder pass, (2) Good To Go! (GTG) account using Pay by Plate (PBP) option; (3) Toll Booth payments (also called cash payments), and (4) Pay by Mail (PBM).

The Pay By Plate (PBP) toll rate is the GTG rate plus a \$0.25 fee. PBM customers who open a short-term account in order to pay prior to receiving a toll bill receive a \$0.50 discount off of the PBM rate. After FY 2016 the \$0.50 short-term account discount is assumed to be discontinued; however, customers will still have the option of setting up a short-term account for payment before or immediately after travel on a WSDOT toll facility rather than waiting for a toll bill in the mail.

The Tacoma Narrows Bridge (TNB) revenue forecast reflects actual toll collections through FY 2015. In 2013 two consecutive toll rate increases were adopted by the Washington Transportation Commission; as a result in FY 2014 and FY 2015 the 2-axle vehicle toll rate was increased by \$0.25 each year. In May 2015, another two consecutive toll rate increases were adopted by the Commission. Toll rates were increased by \$0.50 to \$5.00/GTG, \$6.00/toll booth, and \$7.00/PBM per 2-axle vehicle began on July 1, 2015. Another \$0.50 will be increased to the toll rates began on July 1, 2016, setting the toll rates at \$5.50/GTG, \$6.50/toll booth, and \$7.50/PBM per 2-axle vehicle. Multi-axle vehicle toll rates will be increased proportionally. From FY 2018 to FY 2030, the adopted toll rates are assumed to not change for all payment types.

In 2015 legislative action (2ESHB 1299), SR 167 HOT lanes pilot program was extended to the end of fiscal year 2017. Toll rates are set to maximize traffic flow while managing demands to maintain acceptable operating speed on the HOT lanes.

The current forecast for SR 520 is based on the Washington State Transportation Commission's adopted 2.5% annual toll-rate increase plus nickel rounding as of July 1, 2015. In FY 2017, weekday toll rates are assumed to increase to the levels assumed in the financial plan, which amounts to an approximately 15% on average (less to no increase on weekends depending on time period). In addition, the Pay By Mail toll rates are assumed to be \$2.00 higher than the GTG toll rates starting in FY 2017 (previously assumed to be \$1.70 higher). Beyond FY 2017, no further toll rate increases have been assumed in the financial plan. In the current fiscal year, two-axle vehicles traveling on weekdays pay peak tolls of \$3.90 for GTG and \$5.55 for PBM, respectively. During weekends the peak GTG and PBM toll rates are \$2.40 and \$4.10, respectively. Vehicles with more than two axles incur an additional toll.

Legislative action in 2011 created the PBM payment method in which tolls may be paid after using a toll facility with the customer identified for receiving a toll bill by mail via a photo of their license plate. The same legislative action introduced alternative toll enforcement, the Civil Penalty process administered by WSDOT. Failure to pay a toll detected through the photo toll system after 80 days and two invoices will set in motion the civil penalty process by issuing a Notice of Civil Penalty (NOCP). The civil penalty is \$40 plus the original toll

amount. The customer is liable for a civil penalty of \$40 per toll transaction, plus the original toll amount per transaction, and a \$5 rebilling fee per invoice.

In 2015, the Legislature passed SSB 5481, tolling customer service reform. This bill could result in reductions to the civil penalty revenue, increases in recovered toll revenue from the Civil Penalty process, and increases in transponder sales revenue which has an indeterminate revenue impact amount at this time. We will collect actual data in FY 2016 which will lead to revisions in future iterations of the forecast.

The I-405 Express Toll Lanes (ETL) between Bellevue and Lynnwood opened to the public on September 27, 2015. This November 2015 forecast is the first time traffic and revenue forecasts for this new toll facility are included in the TRFC tables. Since tolling just commenced in September 2015 no actual toll traffic or revenues were used in developing the November forecast for I-405. The minimum and maximum toll rates used in the I-405 forecast were adopted by the Transportation Commission with the minimum toll rate set to \$0.75 and the maximum toll rate set at \$10, with a \$0.25 GTG Pay By Plate Fee and Pay By Mail toll increment of \$2.

Trends in Tacoma Narrows Bridge traffic and toll revenue

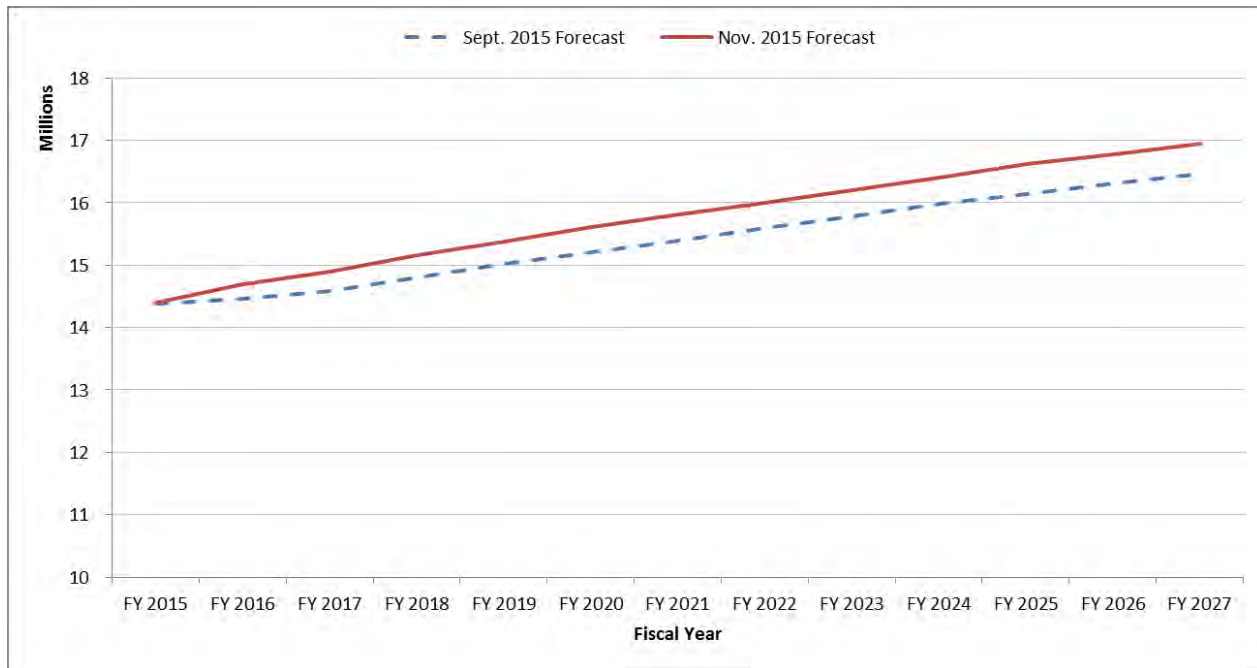
Traffic

Stantec developed a TNB trendline forecast model for the November 2014 forecast. The trendline forecast was created utilizing a spreadsheet model segregated by payment type and vehicle class as outlined above. Long term growth rates were developed through review of the socio-economic forecasts (state TRFC population and employment forecasts, PSRC local economic forecast of population and employment, ESD local employment forecast and OFM population forecast) and trends in payment types over the past few years were analyzed to determine the percentage of Good To Go! Pass, manual and image-based toll transactions. Since the first forecast in November 2014, the June 2015 TNB forecast was updated for the newly adopted higher TNB toll rates and now the November 2015 forecast includes a review of updated state, region and county level employment forecasts prepared by ESD and TRFC. In addition, the TNB traffic growth rates have been adjusted upward to reflect the increased employment forecasts and higher actuals. As the result, the annual traffic growth rates have been increased by 1.7 percent to 2.9 percent comparing to the September forecast.

The November 2014 model assumed traffic over the next five years would roughly mirror transportation analysis zones (TAZ) areas' population and employment growth at 1.9 percent, before decreasing to 1.25 percent from FY 2020 to FY 2025 and 1.0 percent from FY 2026 to FY 2030. Now in November 2015, despite two consecutive \$0.50 toll rate increases in 2016 and 2017, the traffic growth has been increased to 2.1 percent in FY 2016 and 1.3 percent in FY 2017. This is a 1.7% increase from last forecast in FY 2016 and 2.2% adjustment to FY 2017 traffic. This is because actual data show strong social economic growth in the area. This is a change from the last forecast due to the revised regional growth prospect. In FY 2018, the traffic growth rate increased to 1.8 percent before decreasing to the range of 1.2 percent and 1.5 percent from FY 2019 to FY 2025 and 1.0 percent from FY 2026 to FY 2030, see Figure 38. This latest traffic forecast is 1.7% to 2.9% higher than the last forecast due to the reflection of the increased employment forecasts.

The November 2015 model also reviewed payment-type information through June 2015. Since last year, payment type patterns emerged which indicate the Good To Go! (GTG) Transponder shares are lower than assumed while Toll Booth payments (also called cash payments) are stable and Pay by Mail (PBM) and GTG Pay by Plate (PBP) shares are higher than assumed in the previous model. Consequently, the forecasted payment type shares in the November 2015 forecast follow the same patterns as observed.

Figure 38 Comparison of TNB Traffic Volume November 2015 vs September 2015 Forecast

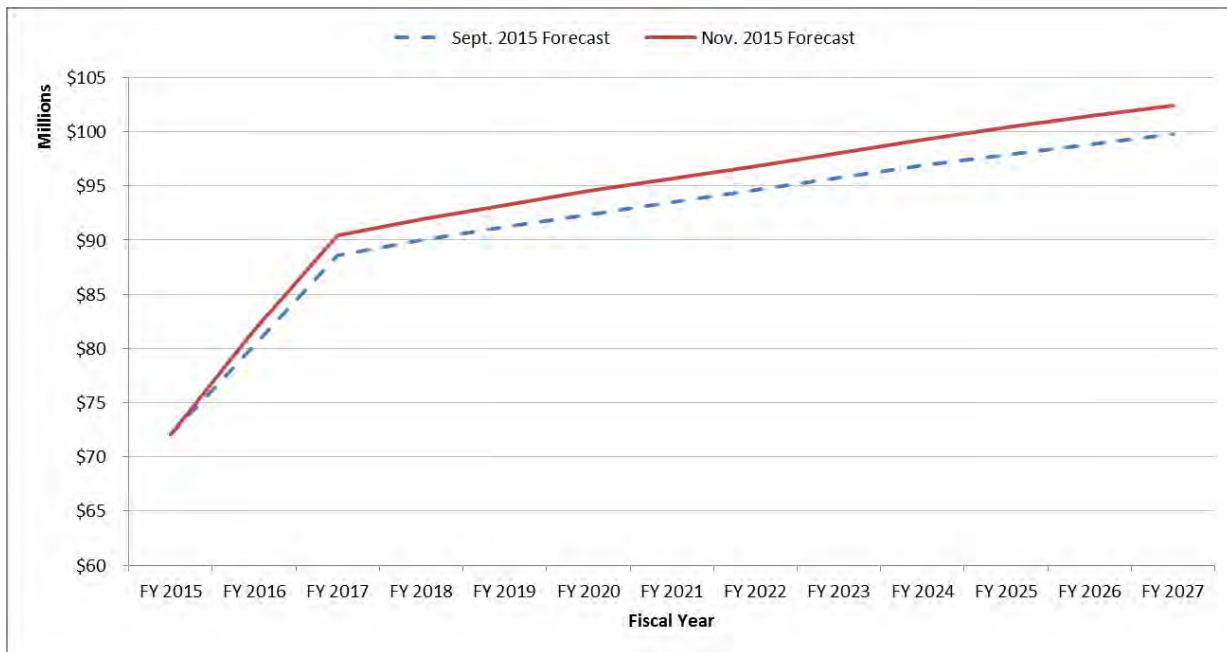


Gross Potential and Adjusted TNB Toll Revenue

The gross toll revenue potential is the amount of revenue WSDOT should receive given the varying toll rates by payment type and type of vehicle and the number of transactions in those categories, assuming all the transactions been paid. The gross toll revenue potential in fiscal year 2014 was \$66.65 million. This gross toll revenue potential consisted of an estimated \$39.07 million in *Good To Go!* with Transponders revenue, \$4.08 million in *Good To Go!* Pay by Plate, \$5.78 million in Pay By Mail and Short Term Accounts, and \$17.73 million in Toll Booth in fiscal year 2014. In FY 2015, the gross toll revenue potential was \$72.04 million which is 8.1% annual growth with \$41.04 million in *Good To Go!* with Transponders revenue, \$5.67 million in *Good To Go!* Pay by Plate, \$6.03 million in Pay By Mail and Short Term Accounts, and \$19.30 million in Toll Booth. In FY 2016, the TNB gross revenue potential is anticipated to be \$81.67 million, which assumes \$0.50 toll rate increase and an annual year over year growth of 13.4%. In FY 2017, the TNB gross revenue potential is anticipated to be \$90.46 million, assuming another \$0.50 toll rate increase and an annual growth of 10.8% for gross revenue. In FY 2018 and beyond, the annual growth in gross revenue potential slows from 1.7% to 1.2% and then declines further to 1% by the end of the forecast horizon.

Figure 39 reveals the change in the gross revenue potential between the September 2015 forecast and this new November 2015 revenue forecast. The forecast changes reveal that current gross revenue potential forecast is coming in above the prior forecast. By the 2017-19 biennium, the TNB gross toll revenue potential is projected to be \$185.15 million, 2.18% above the last forecast due to the increase in total transaction and a higher share of Pay by Mail transactions (with higher toll rate). There is no new toll rate increase assumed beyond FY 2017. The biggest biennium difference is in the 2025-27 biennium when the current forecasted gross toll revenue potential is higher than the last projections by \$5.26 million or 2.65%. In this November 2015 forecast, the gross toll revenue potential for FY 2016 is \$81.67 million and is 1.7% higher than the prior forecast. The change is primarily due to higher total transactions. In FY 2017, the gross toll revenue for TNB is \$90.46 million and is 2.1% higher than the prior forecast and it has changed due to higher toll transactions. In FY 2018, the gross toll revenue is \$91.95 million and is 2.2% higher than the last forecast due to higher toll transactions.

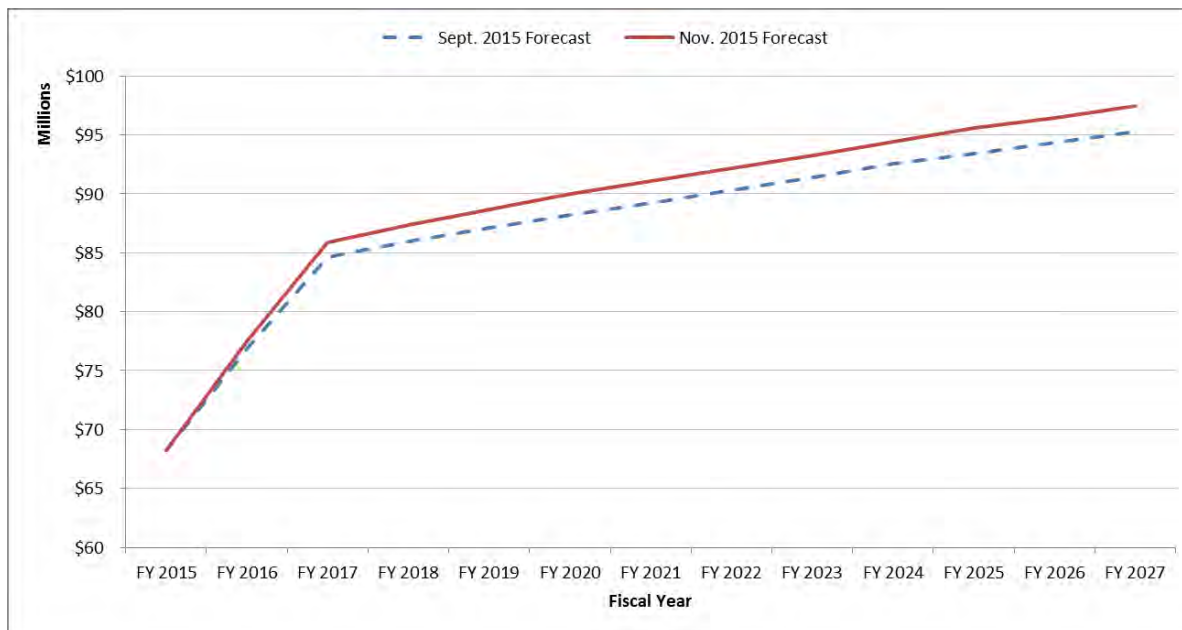
Figure 39 Comparison of TNB Gross Toll Revenue Potential for November 2015 and September 2015



The difference between the gross toll revenue potential and the adjusted toll revenue is the toll revenue not recognized, unpaid toll revenue, Pay By Plate \$0.25 fee and short-term accounts (STA) \$0.50 discounts. TNB adjusted gross toll revenue for the 2007-09 biennium was \$73.1 million. The 2009-11 biennium adjusted toll revenue increased to \$89.8 million which is a 23% increase over the prior biennium. In the 2011-13 biennium, TNB adjusted gross toll revenue was \$102.8 million, 14% increase over the last biennium. In the 2013-15 biennium, TNB adjusted revenue forecast was \$131.4 million. This adjusted revenue forecast for TNB for the current biennium is \$163.4 million or 1.17% higher than the last forecast due to the increase in revenue not recognized and unpaid toll revenue being lower than the increase in gross toll revenue potential, see Figure 39. Next biennium, the adjusted toll revenue is \$176.05 million and is 1.71% higher than the prior forecast mainly due to the increase of gross toll revenue potential. For the remaining forecast years, the current TNB adjusted toll revenue is higher than the last forecast driven by the increase of gross toll revenue potential.

The reason why the percentage increase of adjusted toll revenue over the last forecast is lower than the percentage increase of the gross revenue potential over last forecast is because the unrecognized and unpaid toll revenue is higher than what we projected last time. This is because some of the long-term in-process transactions were not included in the leakage assumption during the last forecast. The last November forecast set the revenue not recognized revenue at 18.54% of Pay By Mail transactions and unpaid toll revenue at 36.66% of Pay By Mail transactions; resulting 55% of Pay By Mail transactions as the unrecognized or unpaid toll revenue transactions. November 2015 forecast increases this 55% assumption to 60% to incorporate the addition of long-term in-process non-viable transactions.

Figure 40 Comparison of TNB Adjusted Toll Revenue for November 2015 and September 2015



Beginning in 2012, violations were replaced by civil penalties. Fines and fees violations revenue for the 2007-09 biennium was \$1.06 million of which \$1.01 million was violations revenue. In the 2009-11 biennium fees remained flat, and violation revenue was \$1.08 million. In the 2011-13 biennium, violations revenue was \$0.15 million. In FY 2014, violations revenue came in totaling \$8,894. In FY 2015, violations revenue was \$9,662. The future projection is \$0 for violations revenue.

In FY 2014, TNB *Good To Go!* PBP fees and short-term account (STA) discounts came in at \$212,503 and in FY 2015 they came in at \$266,462. In the current biennium, *Good To Go!* PBP fees less short-term account discounts are anticipated to be \$ 0.59 million, which is 17.9% higher than prior forecasts. This is partially due to the higher traffic, but the main drive for the increase is the removal of STA discounts starting from FY 2017. The PBP fees grow in the future at the same rate as traffic volume.

The TNB late payment, non-sufficient funds fees, statement fees and transaction fees came in at \$0.47 million for the 2011-13 biennium. In 2013-15 biennium, the fee revenue was \$0.86 million, which is 4.1% higher from the last forecast. In this current forecast, these fees are anticipated to be \$0.43 million for FY 2016, \$0.44 million for FY 2017, with the total of 0.87 million for 2015-17 biennium. This is a 22.7% increase from the last forecast. In the future, these fees are grown off the change in Pay By Mail traffic volume in the future. Future fee revenue in the next biennium is projected at 0.88 million, up 17.7% from the last forecast.

Actual miscellaneous revenues from interest, liquidated damages and other miscellaneous revenue items such as real estate rent are included in miscellaneous revenue. In FY2013, miscellaneous revenue was \$0.51 million and the 2011-13 biennium had \$2.25 million in miscellaneous revenue. In fiscal year 2014, miscellaneous revenues were \$371,376. In fiscal year 2014, miscellaneous revenues were \$371,376 and \$226,462 for fiscal year 2015. In fiscal year 2016, this forecast has miscellaneous revenue anticipated to be \$194,000. This is the first time we forecast miscellaneous revenue for toll facilities.

Civil penalty revenue is usually a function of the pay by mail transaction estimate. In the 2015 Legislature session, SSB 5481 – Tolling Customer Service Reform bill provides a list of mitigation criteria for WSDOT to waive or reduce customers' penalties and associated fees. This is likely to reduce the penalties and late payment fee revenue but increase the toll revenue recovered from NOCP process; the NOCP collection data in early months of FY 2016 has confirmed this assumption. The impact amount of SSB 5481 to the revenue

is indeterminate and we will collect more actual data in FY 2016 before we revise the corresponding forecast. Therefore, civil penalty revenue forecast for November 2015 has not changed from the September forecast.

TNB civil penalty revenue in FY 2013 was \$3.83 million, which includes both cash and receivables. For the 2011-13 biennium, civil penalty revenue was \$4.31 million, which included both cash and receivables. Then TNB civil penalty revenue for FY 2014 came in much lower at -\$0.65 million which included both cash and receivables. Civil penalty revenue had large accounting adjustments resulting negative in year to date revenue. In fiscal year 2015, civil penalty revenue was \$3.17 million. The current biennium projection for civil penalties is \$3.66 million, which is a no change forecast from the last forecast. TNB civil penalty revenue is anticipated to be \$1.78 million in FY 2016 and \$1.88 million in FY 2017. After FY 2017, the annual growth in this revenue is in line with the annual growth of Pay By Mail transactions throughout the remainder of the forecast horizon and has not been changed from the last forecast.

Total revenue from all transponders and shield sales was \$1.4 million in the 2007-09 biennium and \$1.27 million in the 2009-2011 biennium. In the 2011-13 biennium, TNB transponder sales revenue was \$0.66 million. Transponder sales revenue in FY 2013 was \$0.307 million; \$0.306 million in FY 2014 and \$0.336 million in FY 2015. This November forecast anticipates \$0.355 million in transponder revenue in FY 2016 and this is a 46% increase from the \$0.243 million from the last forecast. In the current biennium, TNB transponder sales are anticipated to be \$0.70 million in the current biennium and up 37% from the last projection. In the 2017-19 biennium, TNB transponder sales revenue is anticipated to be \$0.89 million, which is up significantly \$535,000 from the last forecast.

Total adjusted gross TNB revenue including all fines and fees was \$110.6 million in the 2011-13 biennium. In the 2013-15 biennium, total adjusted gross TNB revenue was \$136.0 million, which is 0.02% higher than the last forecast due to the small adjustments in actual revenue. In the current biennium, TNB adjusted gross total TNB revenue is projected at \$169.0 million, which is \$2.6 million or 1.58% higher than the last forecast due to the increase in toll transaction and corresponding increase in toll revenue. The long-term TNB current forecast is around 2% higher than the last forecast all throughout the forecast horizon.

Trends in SR 167 High Occupancy Toll Lanes Traffic and Revenue

SR 167 HOT lanes toll Traffic and Revenue forecast for November 2015 has not changed from the September forecast.

The traffic volume on the SR 167 HOT lanes was 386,000 vehicles in FY 2009. Traffic volume in FY 2010 increased to 510,969 which represented a 31.5% growth year over year from FY 2009. In FY 2011, traffic volume was 640,115 vehicles which were 25.3% higher than in FY 2010. In FY 2012 the traffic volume increased by 31% to 841,154 and the following year, FY 2013, traffic volume increased by 22.5% to 1.033 million. In FY 2014, the HOT lanes traffic volume increased to 1.135 million and in FY 2015 the traffic volume was 1.179 million, which was a year over year increase of 3.9%. Legislation in 2015 extended the 167 HOT lanes pilot program to the end of FY 2017. In this November 2015 forecast, the HOT lanes traffic for FY 2016 is 1.209 million. FY 2017 HOT lanes traffic is anticipated to be 1.245 million which is no change from the last forecast.

Revenue from HOT lanes' tolls, sales and fees in FY 2009 was \$0.47 million and HOT lanes total revenue in FY 2010 was \$0.53 million, which represents a 12% increase annually. In FY 2011, HOT lanes revenue increased to \$0.72 million; \$1.13 million in FY 2012; \$1.19 million in FY 2013 and \$1.22 million in FY 2014. HOT lanes toll revenue has been growing strongly. In FY 2011-13, the toll revenue was \$2.12 million and total revenue was \$2.32 million. In the FY 2013-2015 biennium toll revenue was \$2.85 million an increase of \$0.72 million or 34% biennium to biennium. In the FY 2015-2017 biennium toll revenue is anticipated to be \$3.586 million. Under current law, the program ends September 30, 2017.

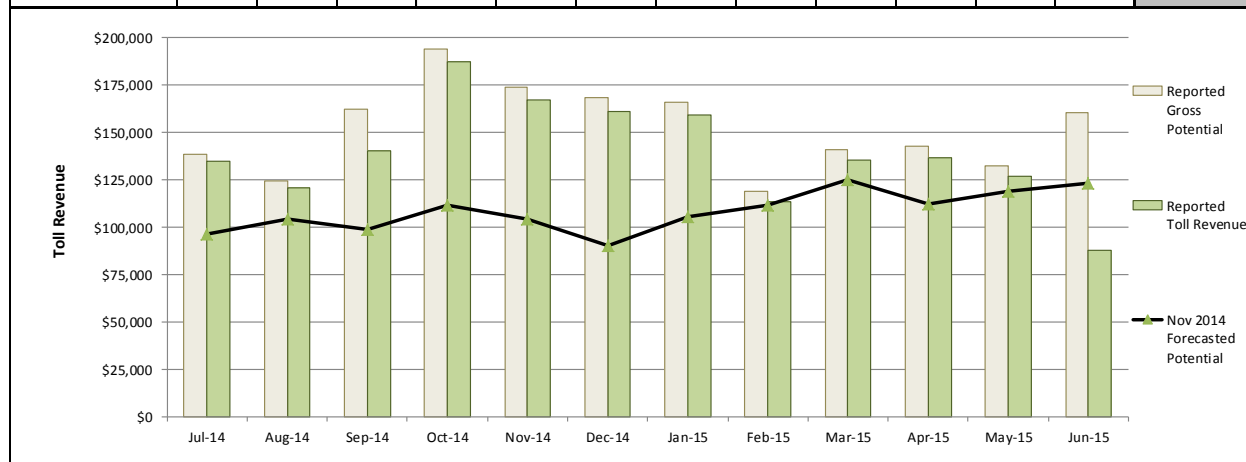
Note that in the last month of FY 2015, there was a large accounting adjustment downward of HOT lanes revenue to reflect revenue in accounts that may not be paying the toll which lowered the FY 2015 revenue for HOT lanes, see Figure 41.

In the 2011-2013 biennium, transponder and shield sales on SR 167 was \$58,801. In the 2013-2015 biennium transponder revenue was \$81,028. In fiscal year 2014, HOT lanes transponder revenue was \$37,771 and fiscal year 2015 had HOT lanes transponder revenue at \$43,258. Fees revenue forecast, includes NSF check fee and statement fee revenue, has actuals through FY 2015. In FY 2013, fee revenue was \$3,595 and in fiscal year 2014, fee revenue came in at \$3,730 and \$3,608 for fiscal year 2015. In the 2015-17 biennium, fee revenue is anticipated to be \$7,338.

Miscellaneous revenue was \$0.13 million in the 2011-13 biennium. In the 2013-15 biennium, miscellaneous revenue was \$30,018 and in the current biennium, miscellaneous revenue is anticipated to be \$56,000. This November forecast is the first time we forecast miscellaneous revenue for toll facilities. The miscellaneous revenue forecast includes liquidated damage revenue and interest earnings and is anticipated to be \$56,000 in the current biennium.

Figure 41 FY 2015 SR 167 Reported Toll Revenue Compared to 2014 Forecast

REVENUE	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Annual Total
Forecasted Gross Potential (November 2014) ¹	\$96,334	\$104,474	\$98,904	\$111,533	\$104,376	\$90,136	\$105,578	\$111,830	\$124,954	\$112,408	\$118,590	\$122,883	\$1,302,000
Reported Gross Potential ²	\$138,686	\$124,567	\$162,100	\$193,722	\$173,563	\$168,532	\$165,772	\$118,884	\$140,556	\$142,526	\$132,581	\$160,157	\$1,821,644
Variance From Forecasted Gross Potential	\$42,352	\$20,093	\$63,195	\$82,190	\$69,187	\$78,396	\$60,194	\$7,053	\$15,602	\$30,118	\$13,991	\$37,274	\$519,644
Variance - % Change	44.0%	19.2%	63.9%	73.7%	66.3%	87.0%	57.0%	6.3%	12.5%	26.8%	11.8%	30.3%	39.9%
Reported Toll Revenue ^{3,4}	\$134,773	\$120,844	\$140,317	\$187,255	\$166,947	\$161,085	\$159,421	\$113,273	\$135,080	\$136,518	\$126,802	\$87,724	\$1,670,037
Variance From Forecasted Gross Potential ⁵	\$38,440	\$16,370	\$41,413	\$75,722	\$62,570	\$70,949	\$53,843	\$1,443	\$10,126	\$24,109	\$8,212	(\$35,158)	\$368,037
Variance - % Change	39.9%	15.7%	41.9%	67.9%	59.9%	78.7%	51.0%	1.3%	8.1%	21.4%	6.9%	(28.6%)	28.3%



Notes:

- 1 Data is based upon the TRFC November 2014 Forecast.
- 2 Reported Gross Potential data comes from the TCS/AVI report.
- 3 Reported Toll Revenue corresponds to "tolling revenue" values reported in WSDOT financial statements.
- 4 Reported revenue for the month of June includes a year end accounting adjust of \$64,983.71 for the HOT Lanes customer negative accounts receivable transactions from Q2 to Q4 in FY 2015. A similar adjustment will be made quarterly moving forward.
- 5 The variance is a comparison between the Reported Revenue and the Forecasted Gross Potential.

Trends in SR 520 Bridge Toll Lanes Traffic and Revenue

Tolling on the SR 520 Bridge commenced on December 29, 2011. FY 2012 and FY 2013 represent start-up years in which the amount listed under Toll Revenue Not Recognized & Unpaid Toll Revenue include some additional items compared with what is anticipated going forward. This is due to several reasons, including removal of non-revenue vehicle transactions, delays in processing some toll bills (unbilled and deferred revenue), a toll bill quality assurance program that held back the delivery of NOCP notices on some transactions, and inclusion of amounts that may yet be collected. In the forecast years, the line Toll Revenue

Not Recognized & Unpaid Toll Revenue is limited to amounts not collected within 80 days of travel, and tolls later recovered through the NOCP process are listed in the line titled Recovered Toll Revenue.

The November 2015 forecast is based on independent economic forecasts of population and employment. These forecasts were updated in October 2015 to reflect current economic conditions, updated regional forecasts, projected development in Seattle and Eastside King County communities, and current market conditions, such as office occupancy rates and housing unit absorption trends. The analysis followed methods similar to those used in the prior economic forecast used for the last two TRFC forecasts.

Overall, when compared to the prior economic forecast, the population forecasts were adjusted slightly upwards for King County and for the region as a whole. Because the slight upward adjustments were consistent in all forecast years, the population growth rates remain virtually unchanged for the region and for King County. Within King County, the total population forecast among the four major cities along the SR 520 corridor (Seattle, Kirkland, Bellevue, and Redmond) has been adjusted upwards by about 2.5% long term, primarily driven by more growth expected in Seattle and to a lesser extent in Bellevue.

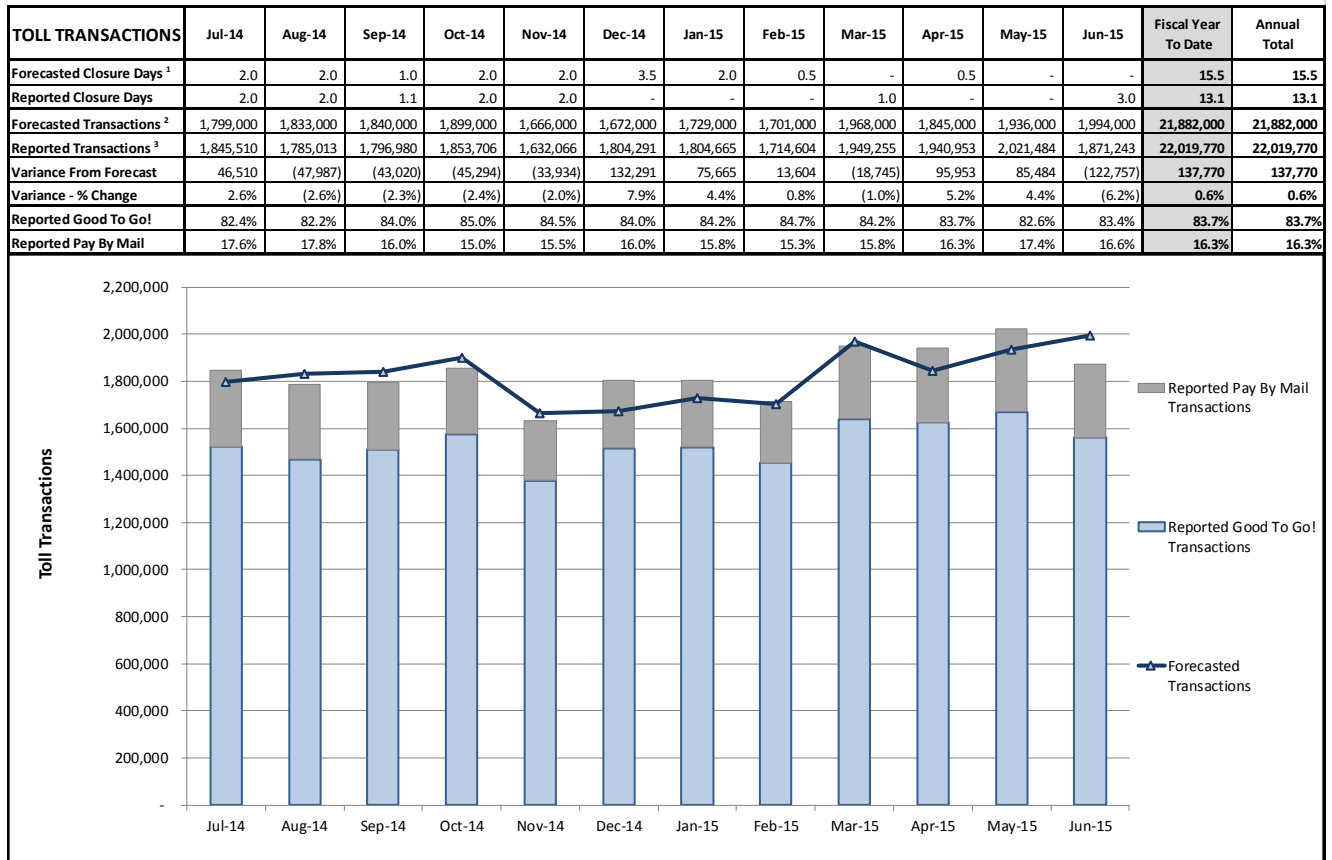
For employment, the regional and King County growth rates were adjusted upwards in the immediate short term. Starting in FY 2016, regional and King County employment growth rates are virtually unchanged from the November 2014 forecast. The employment estimates for the combined four cities are slightly reduced in the immediate short term, and are revised upwards starting in FY 2017. This is primarily driven by an increase in the expected amount of commercial space and employment in Seattle, and to a lesser extent in Kirkland.

As shown on Figure 42, SR 520 actual traffic volume has been tracking the past forecast quite well in FY 2015. Overall, SR 520 traffic in FY 2015 was 22.0 million transactions or about 138,000 transactions (0.6%) above the past forecast.

This November forecast is based on a new set of November 2015 SR 520 Investment Grade Traffic and Revenue projections. The November 2015 forecasts include actual traffic and revenue for FY 2015. There were 9.6 million toll trips taken in FY 2012 from the opening day of December 29, 2011 through June 30, 2012. In FY 2013, total toll traffic was 20.2 million trips; in FY 2014, toll traffic was 21.0 million and in FY 2015 total toll traffic was 22.0 million. In FY 2015, *Good To Go!* account usage was 83.7% of total toll trips and the rest were Pay By Mail. In the new forecast, the number of toll trips is anticipated to increase to 22.9 million in FY 2016 and 24.3 million for FY 2017. This corresponds to an annual traffic growth rate of approximately 3.9% in 2016 and 6.3% in 2017. In FY 2018, annual traffic is expected to slightly decline in part due to more closure days. From FY 2019 through 2027, annual traffic is expected to grow at a rate varying between approximately 2% and 6% annually.

Figure 42 Comparison of SR520 Monthly Traffic Volume – November 2014 Forecast vs. Reported Performance FY 2015

SR 520 Forecasted and Reported Toll Traffic - Fiscal Year 2015
Updated 10/28/2015



- Notes:**
- 1** Forecasted weekend construction related closures as provided by the SR 520 Project Office.
 - 2** Values based on the November 2014 Forecast.
 - 3** Reported values for Jul-Dec are based on Customer Service Center resolved transactions data as of May 2015, Jan-Jun are based on total monthly transactions adjusted for non-revenue and duplicate transactions.

Figure 43 Comparison of SR520 Annual Traffic Volume – November 2015 vs. November 2014 Forecast

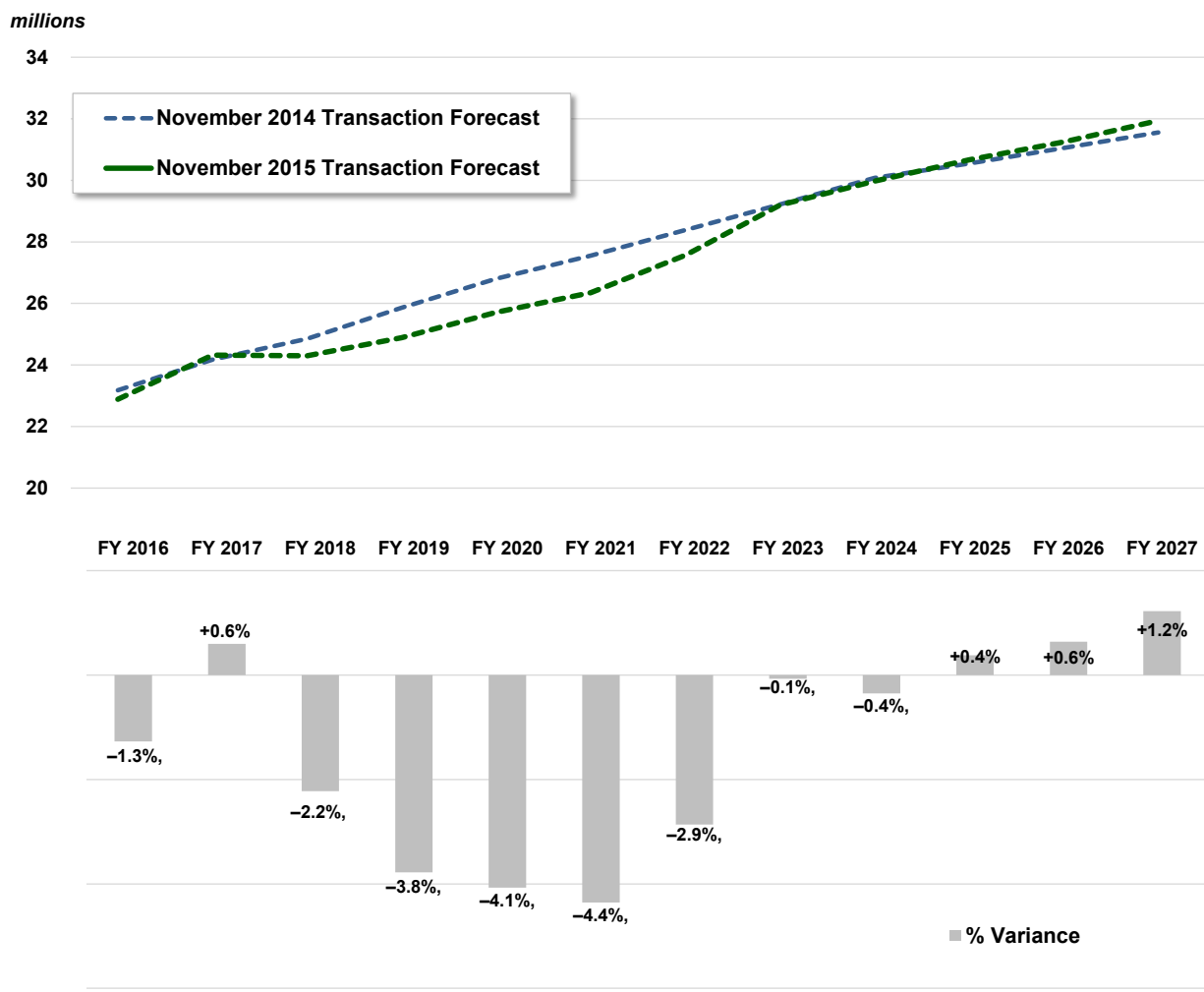


Figure 43 shows how the November 2015 forecast of traffic compares to the prior forecast. The new forecast of traffic is down by 1.3% in FY 2016 and up by 0.6% in FY 2017 compared to the past forecast. Between FY 2018 and FY 2024, the new forecast shows lower traffic than the November 2014 forecast, varying between 0.1% and 4.4%. In FY 2025 - FY 2027, the new forecast shows higher traffic than the November 2014 forecast, varying between 0.4% and 1.2%.

Many factors were considered in revising the forecast and contribute to changes from the previous forecast. The primary drivers of change are:

- Passage of the Moving Washington legislation which provides funding for completion of the west end of SR 520 including reconstruction of the West Approach Bridge South, reconstruction of the Portage Bay Bridge, and construction of a direct HOV connector lane from SR 520 to the I-5 reversible lanes which overall increased number of planned closures particularly in FY 2018 through FY 2022; four-lane constriction to Montlake Boulevard continuing through FY 2021 due to the West Approach Bridge South construction; full corridor assumed to be complete by FY 2026;

- Increase in Pay By Mail toll rate differential;
- Refinement of modeled time of day profile resulting in more transactions during peak hours; reduced weekend traffic growth rates; revised socioeconomic forecast; and revised completion date for the I-90 reversible lane project;
- Other factors also contribute to changes although they have a lower overall effect: lower share of account-based transactions; higher truck multipliers; lower proportion of trucks; lower vehicle operating costs; and Flex Pass requirement for 3+ carpools.

Figure 44 Comparison of SR520 Annual Gross Toll Revenue Potential for November 2015 vs. November 2014 Forecast

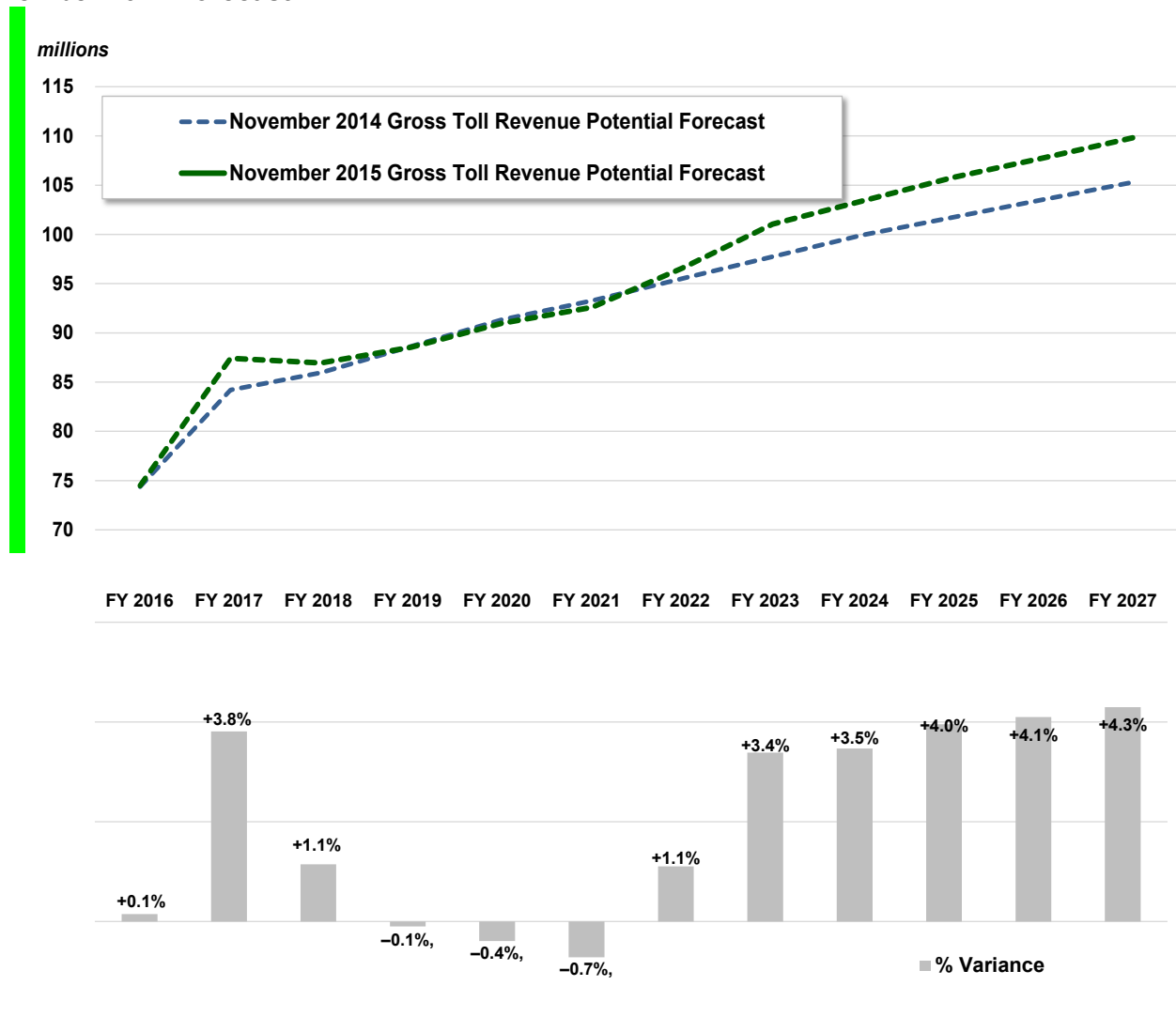


Figure 44 illustrates the recent forecast changes to the SR 520 gross toll revenue potential compared to the last forecast. In FY 2016, the November 2015 forecast for gross toll revenue potential is \$74.5 million, which is \$0.1 million above the last forecast. The mix of SR 520 revenue by payment method has been modified so the November 2015 forecast anticipates 84.6% *Good To Go!* revenue in FY 2016, which is 0.2% lower than the last forecast. The Pay By Mail gross toll revenue forecast for FY 2016 has been revised from \$15.8 million in the last

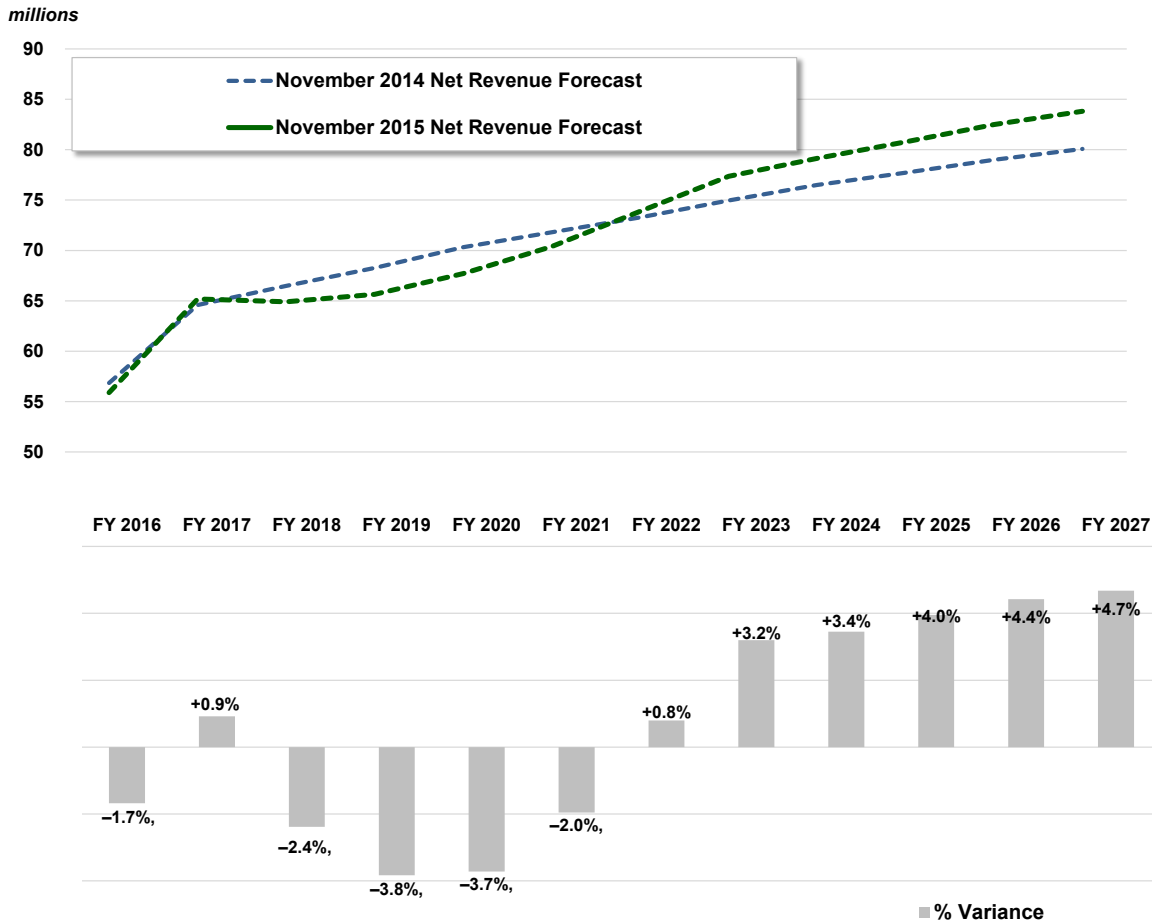
forecast to \$16.1 million in the new forecast. It is anticipated that the gross toll revenue potential for SR 520 is going to increase to \$161.9 million for the 2015-17 biennium, which is \$3.3 million higher than the last forecast. In the 2017-19 biennium, gross toll revenue potential is anticipated to be \$175.5 million, which is \$0.9 million higher than the last forecast. In general, during the FY 2016-27 forecast horizon, the SR 520 gross toll revenue potential is higher than the last forecast by about 1 to 4%; however, from FY 2019 to FY 2021, gross revenue is anticipated to be lower than the last forecast by 0.1 to 0.7% primarily due to increased number of closures.

After accounting for Pay By Plate fees, short term account discounts, free trip incentives and revenue leakage, Adjusted Gross Toll Revenue from tolling SR 520 during six months of FY 2012 was \$26.1 million and \$55.44 million in FY 2013. Adjusted gross toll revenue was \$81.5 million for the 2011-2013 biennium and \$124.4 in the 2013-15 biennium. In the current biennium, SR 520 Adjusted Gross Toll Revenue is anticipated to be \$149.7 million, which is an increase of \$1.4 million from the last forecast. In the 2017-19 biennium, Adjusted Gross Toll revenue is anticipated to be \$161.4 million, which corresponds to a 7.9% increase from the prior biennium and a 1.18% decrease from the last forecast. Throughout the remainder of the forecast horizon (through FY 2027), adjusted gross toll revenue decreases compared to the previous forecast in the next biennium by 2.1% but increases over time, with the new forecast ranging from slightly under 1% to a nearly 3% increase. The new forecast includes a decrease in share of *Good To Go!* transactions combined with a higher assumed utilization of Pay by Plate by *Good To Go!* customers, which results in an increase in toll payment-related fees.

Revenue leakage for SR 520 was \$4.95 million in FY 2014 and \$6.46 million in FY 2015. The reason for the growth between FY 2014 and 2015 is due to an increase in image based transactions and revisions to previous assumptions regarding in-process transactions, most of which were previously assumed to be non-revenue or would eventually be identified and sent a toll bill. Actual experience in FY 2015 led to the dismissal of most of these transactions resulting in an increase in assumed leakage associated to unidentifiable vehicle owners/addresses. The revenue leakage anticipated in November 2015 forecast for the current fiscal year is \$6.63 million and this is higher than the last forecast by \$0.88 million primarily due to the adjustment for in-process transactions. In the current biennium, the revenue leakage in this November 2015 forecast is up \$2.56 million or 21% over the last forecast. For future biennia, the revenue leakage increase grows to nearly 30% increase from the prior forecast by the end of the forecast horizon. In future years, the calculation for revenue leakage for SR 520 is anticipated to range from 7% to 9% of total gross toll revenue potential as compared to 6% to 8% of total gross toll revenue potential in the last forecast. This change was made because of the increase in leakage associated to in-process transactions which is expected to be improved over the near term forecast horizon starting in FY 2021 when transition to a new back office system is expected to coincide with improvements that will bring WSDOT closer to industry standards.

Actual transponder sales revenues in FY 2012 and 2013 exceeded costs and net transponder revenue was included within the Net Toll Revenue Pledged for Debt Service. Actual transponder revenue for SR 520 was \$1.79 million in the 2011-13 biennium. In the 2013-15 biennium, transponder sales were \$1.05 million. In the 2015-17 biennium, the current forecast for transponder sales is anticipated to be \$1.65 million, which is a \$0.70 million increase from the previous forecast. The reason for the change is a recently confirmed assumption that 3+ carpool users who want an exemption will have to purchase a higher cost switchable FlexPass transponder set to HOV status, and be travelling in the HOV lane to qualify for a toll exemption. Transponder revenue for the 2017-19 biennium is anticipated to be \$0.81 million and this is a 24% increase from the last forecast. Transponder revenue in the subsequent biennia is forecast to be higher from the last forecast by 24% in the 2021-23 biennium to just over 1% in the 2025-27 biennium. These increases are due to an expected increase in transponder costs and sales revenue as a result of the FlexPass requirement for 3+ carpool exemption on SR 520.

Figure 45 Comparison of SR520 Net Revenue Before R&R for November 2015 vs. November 2014 Forecast



Net Toll Revenue Pledged for Debt Service was \$68.24 million in the 2011-13 biennium and \$106.24 million in the 2013-15 biennium. In FY 2014, net toll revenue came in at \$51.14 million and in FY 2015 net toll revenue was \$54.9 million. In the current biennium, net toll revenue is projected to be \$121.1 million, or 0.3% lower than the last forecast. The difference between the adjusted gross toll revenue and fees and the net toll revenue pledged for debt service is the operations and maintenance expenditures. Operations and maintenance (O&M) expenditures include credit card fees, facility O&M costs, toll collection O&M costs, bridge insurance premiums, and transponder inventory costs. Reported O&M costs for the 2013-15 biennium totaled \$24.17 million, which was lower than the prior year's forecast. The reported O&M costs for the current biennium are projected at \$35.78 million or \$2.9 million or 8.87% increase over the last forecast. These higher costs continue at a diminishing rate over the remainder of the forecast horizon.

The reason for the O&M changes from the previous forecast is due to: (1) reported costs coming in lower than forecast in FY 2015; (2) a delay in transition of the toll equipment from their temporary location to a new location, which would have incurred higher costs; (3) lower than anticipated Customer Service Center related costs due to a reduction in printing and posting costs that are passed through to the state. Cost decreases were partially offset by higher than expected personal services costs and higher credit card fees. For the 2015-17 biennium, O&M costs are anticipated to be 8.9% higher than the last forecast. O&M cost increase in the forecast is primarily the result of including Washington State Patrol 3+ carpool toll exemption enforcement.

Miscellaneous pledged revenue, primarily consisting of contractual damages and interest earnings, was \$2.23 million for the 2011-13 biennium and \$0.71 million in the 2013-15 biennium. The new forecast for miscellaneous revenue is anticipated to be \$1.17 in 2015-17 biennium which represents expected contractual

damages and interest earning. Over time, the forecast of miscellaneous revenue consists of interest earnings only.

Reported civil penalty revenues were \$11.5 million in the 2011-13 biennium and \$13.39 million in the 2013-15 biennium, which was 43% higher than the last forecast. The civil penalty forecast is tied to the forecast for transactions that go unpaid after 80 days in a similar manner as recovered toll revenue and late payment fees. Of the delinquent toll bill transactions unpaid after 80 days 13% are considered toll enforcement rejections and are not sent on to the civil penalty process, with the remaining 87% receiving a mailed notice of civil penalty. Tolls are assumed to be recovered for 30% of these civil penalty transactions. Civil penalty revenues are assumed to be recovered from 85% of the total civil penalty transactions from which tolls are recovered (with 15% dismissed or remaining unpaid).

In the current biennium, civil penalty revenue is anticipated to be \$14.89 million, an increase of 41% from the prior forecast due to higher Pay By Mail transactions and higher rates of civil penalty payment. In the next biennium, civil penalty revenue is expected to be \$15.67 million, which is a revision of 43% higher from the last forecast. Through the remainder of the forecast period, the new forecast in civil penalty revenues ranges from 43% to 60% higher than the September forecast.

Trends in I-405 traffic and toll revenue

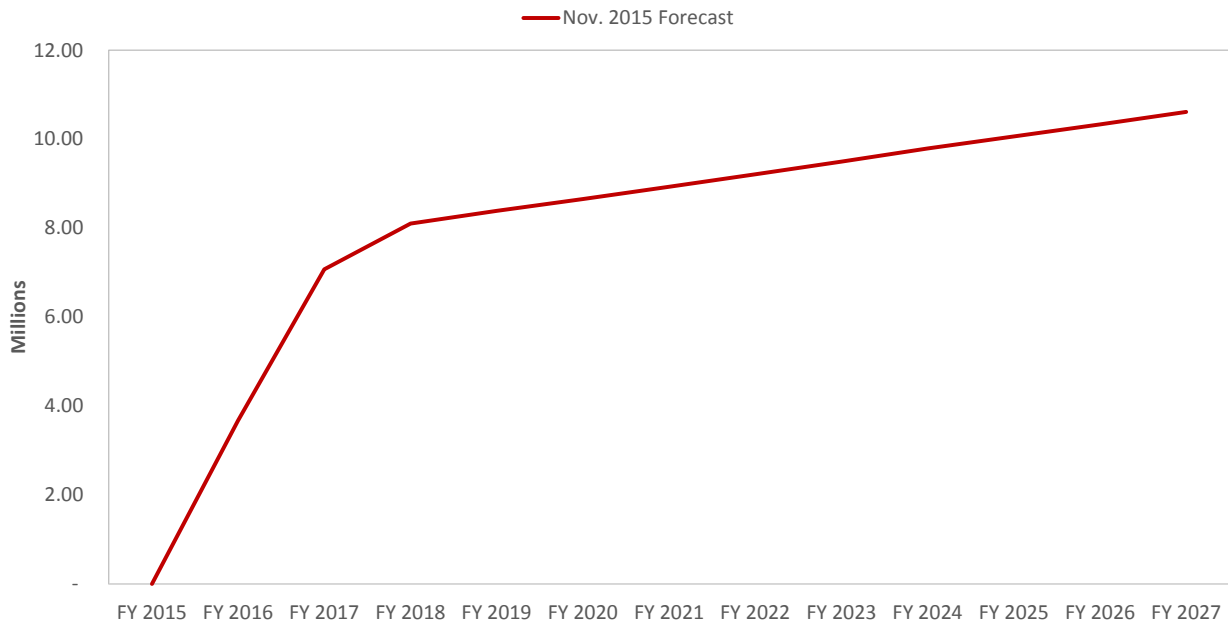
Traffic

This November 2015 forecast is the first forecast to include an I-405 traffic and revenue forecast. The I-405 Express Toll Lanes (ETL) between Bellevue and Lynnwood opened to the public on September 27, 2015. Baseline traffic and gross toll revenue potential forecasts were developed by CDM Smith using a travel demand model and dynamic pricing model for the full Eastside corridor. This model was primarily based on work completed in 2012-13 and included the I-405 ETLs between Bellevue and Renton plus upgraded SR 167 ETLs in mid FY 2022.

The I-405 travel demand model was based on socio-economic inputs for the forecasting process derived from the PSRC Model which utilized 1999 household survey and 2000 census data. The population and employment forecasts used in the model were based on -county level projections prepared by PSRC in 2009.

The I-405 toll traffic is anticipated to be 3.67 million in FY 2016. This represents 8 full months of toll collections on I-405. In FY 2017, the I-405 traffic volume is projected to be 7.07 million which represents a year over year increase in traffic volume of 93%. In FY 2018, I-405 traffic volume is projected to be 8.10 million, which is an annual increase of 14.6%. In FY 2019, the I-405 traffic volume is 8.39 million which represents a year over year increase of 3.5%. In FY 2020 through 2027, the average annual growth rate in traffic is 3% see Figure 46. Year-by-year growth reflect a declining rate of growth over time which is initially the result of underlying assumptions on ramp-up as people become accustomed to the facility purchase FlexPass transponder and increase usage.

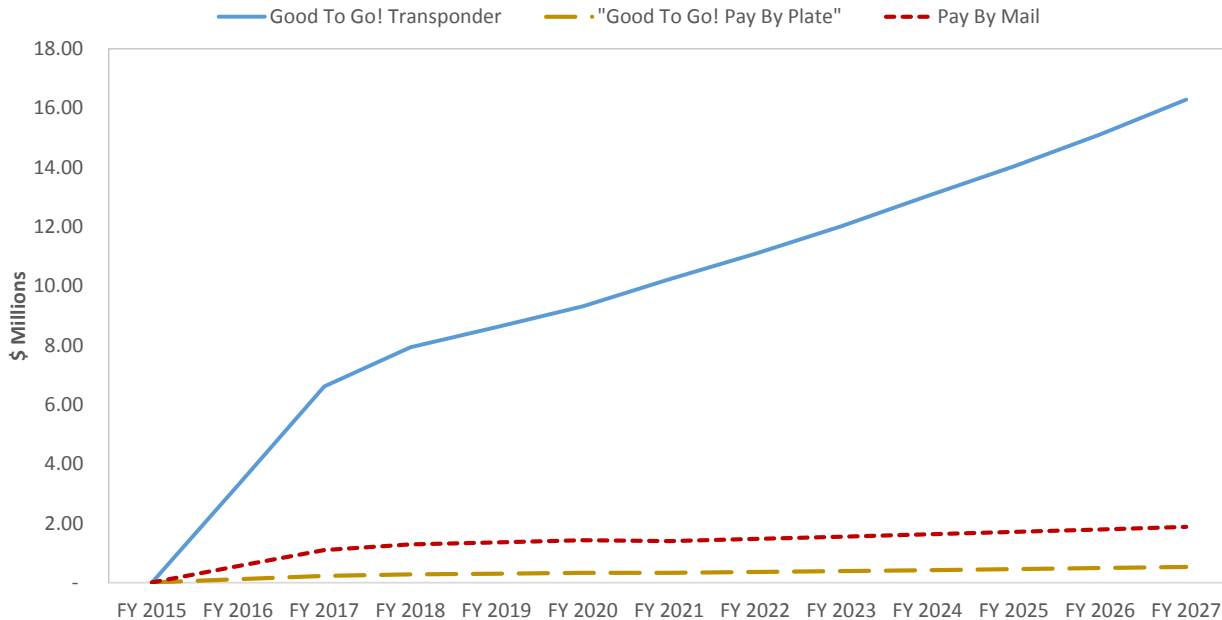
Figure 46 I-405 Traffic Volume forecast for November 2015



Gross Potential and Adjusted I-405 Toll Revenue

The gross toll revenue potential is the amount of revenue WSDOT expects to receive given the varying toll rates by payment type and type of vehicle and the number of transactions in those categories using I-405 HOT lanes. The gross toll revenue potential in fiscal year 2016 is anticipated to be \$3.96 million, which is the starting year of operations. This gross toll revenue potential consisted of an estimated \$3.28 million in *Good To Go!* Transponder transaction Revenue, \$0.11 million in Pay by Plate and \$0.56 million in Pay By Mail. The gross toll revenue potential in fiscal year 2017 is anticipated to be \$7.95 million, which represents a year over year growth of almost double. The gross toll revenue potential in fiscal year 2018 is expected to be \$9.5 million which is a year over year growth of 19%. Figure 47 reveals the I-405 gross revenue potential. In the long-term, the forecast reveals that gross revenue potential is expected to have growth of 9% on average each year. This assumes no change in toll rates in the future.

Figure 47 I-405 Gross Toll Revenue Potential for November 2015 By Payment Type



The difference between the I-405 gross toll revenue potential and the adjusted toll revenue is the *Good To Go!* Pay By Plate \$0.25 fee and \$0.50 short term discounts, and revenue leakage attributable to toll revenue not recognized and unpaid toll revenue. In the 2015-17 biennium, the I-405 adjusted revenue forecast is anticipated to be \$11.25 million, which is 5.5% lower than the I-405 gross toll revenue potential. The adjusted revenue forecast for I-405 in the current fiscal year is \$3.74 million growing to \$7.51 million in FY 2017, an increase of 101%. For the remaining forecast years, I-405 adjusted gross toll revenue has an annual growth rate of 7.8%.

In FY 2016, I-405 *Good To Go!* Pay By Plate fees are anticipated to be \$28,600 and in FY 2017 at \$57,800 for a total of \$86,000 in the current biennium. These fees will grow in the future at an average annual rate of 7.4%. Short term account discounts are not assumed in the forecast value.

The forecast for toll revenue not recognized and unpaid toll revenue is \$0.25 million in FY 2016 and \$0.49 million in 2017, which is an annual increase of 101%. The initial amount of toll revenue not recognized is low due to having a small amount of pay by mail and pay by plate transactions. For the current biennium, the toll revenue not recognized is anticipated to be \$0.74 million and the next biennium, it will grow to \$1.23 million. The reason for the expected growth in revenue not recognized and unpaid toll revenue is primarily the result of increases in transactions with a partial year of operations in FY 2016 and ramp-up assumptions of 57.8% in FY 2016, 89.8% in FY 2017 and 99.7% in FY 2018. The November I-405 forecast for toll revenue not recognized and unpaid toll revenue was set by assuming: 3.4% of total correctly detected transponders would be HOV violations in which the FlexPass is switched to HOV status but the vehicle does not have the correct number of occupants to qualify for the exemptions; 7% of photo based transactions (both Pay By Mail and Pay By Plate) are assumed to have unreadable license plates; and of those with readable plates 4% will not result in obtaining a valid vehicle registration and owner address and will therefore not be mailed a toll bill. Of those receiving a toll bill it is assumed 54% of customer receiving a first toll bill will pay the bill with the remaining receiving a second invoice and \$5 rebilling fee of which the second invoice payment rates is assumed at 45%. Customers who do not pay in the first or second billing cycle within 80 days from the time they use the facility, receive a Notice of Civil Penalty (NOCP) bill which includes a \$40 fine per transaction in addition to the second invoice re-billing fee.

I-405 transponder sales revenue in FY 2016 are expected to be \$1.0 million and \$0.2 million next year which accounts for an initial bump-up in sales attributed to promotional efforts prior to the opening of the facility and customers switching to FlexPass transponders to access the facility as they become more familiar with it. The future growth in transponder sales is based on growth in overall *Good To Go!* Transponder transactions and carpool transactions.

The I-405 late payment, non-sufficient funds fees, statement fees and transaction fees are anticipated to be \$381,000 for the 2015-17 biennium. In the next biennium, the fee revenue is anticipated to be \$617,000, and increase annually thereafter by an average rate of 2.5%.

I-405 civil penalty revenue is estimated based on the assumptions that of the customers receiving a NOCP 20% will pay the toll and of those paying the toll 95% will also pay the rebilling fee and \$40 NOCP fee. NOCP revenue is assumed to be paid with a six month lag to account for total transaction processing and payment delays. As a conservative approach the toll revenue and rebilling fees recovered in the NOCP process are not included in the toll revenue or NOCP revenue amounts. I-405 civil penalty revenue in FY 2016 is anticipated to be \$289,000, which includes both cash and receivables. Next year, civil penalty revenue is expected to be \$844,000, which is an annual growth of 193%. After FY 2017, the future projections are in line with growth in Pay By Mail transactions and assumed to increase by an average annual rate of 3% throughout the remainder of the forecast horizon.

Total adjusted gross I-405 revenue including all fines and fees is anticipated to be \$12.8 million in the 2015-17 biennium. In the next biennium, total adjusted gross toll revenue and fees is projected to be \$19.6 million, which is 53% increase from the previous biennium. For the remainder of the forecast horizon the annual average increase in adjusted gross toll revenue and fees is projected to be 7.6%.

Trends in Total Adjusted Toll Revenue

In the 2007-09 biennium, the Total Toll Revenue and Fees from tolled facilities (TNB and SR 167) was \$76.9 million and increased to \$93.2 million in the 2009-11 biennium. In 2011-13 the SR 520 toll facility was added to the forecast, increasing the Total Toll Revenue and Fees to \$213.4 million in 2011-13 through the forecast horizon. The Total Toll Revenue and Fees collected in 2013-15 biennium was \$283.1 million which was 0.01% increase from the last forecast. The 2015-17 biennium now includes the new I-405 Express Toll Lanes forecast.

In the 2015-17 and FY 2017-19 biennia, the Total Toll Revenue and Fees is projected to be \$358.4 million and \$387.5 million, respectively. The current projections are up from the last forecast by \$23.5 million or 7.03% and \$29.1 million or 8.12% respectively each biennium. Over the next 10 years of the forecast horizon, total Toll Revenue and Fees are anticipated to be \$2.50 billion and up by \$235.24 million or 10.4% from the last forecast.

Primary reasons for the forecast changes:

- This November 2015 toll traffic and revenue forecast is modified to reflect SR 520 2015 investment grade study analysis.
- The latest TNB traffic actuals, for FY 2015, were incorporated into the new forecast. Annual traffic growth in FY 2015 was 3.1% and the projection for traffic growth FY 2016 is 2.1%, which is 1.7% higher from the last forecast. After that, the current TNB traffic forecast is increased from the last forecast by two to three percentages over the forecast horizon.
- The TNB gross revenue potential is above the prior forecast by \$3.2 million in the current biennium, with Toll Booth, Pay By Plate and Pay By Mail coming in above the last forecast but transponder revenue coming in below the last forecast.
- The reasons for the TNB model changes were due to actual traffic coming in above the prior forecast and an adjustment of payment mix.

- The TNB adjusted toll revenue was revised upward from the last forecast. In the current biennium adjusted TNB toll revenue is anticipated to be \$163.39 million, \$1.9 million increase from last forecast due to increase of toll traffic.
- SR 167 HOT lanes traffic and revenue forecasts are unchanged in November.
- The new 2015 SR 520 Investment Grade Study was incorporated into this forecast. The following were the largest drivers of the new investment grade study over the last study of SR 520 toll revenue
 - Addition of the west end completion projects in the Moving Washington legislation resulting in additional lane constrictions and closures and lower revenue through FY2025 and providing additional capacity, and consequential higher revenue afterward.
 - Change of the pay by mail increment from \$1.70 to \$2.00 for FY 2017 and forward, increasing revenue
 - Recalibration and revision of model resulting in better representation of time of day traffic variations resulting in higher revenue
 - Reduction of estimated weekend forecasts based on experience to date results in lowering revenue
 - Delay of the I-90 reversible lane project completion to FY 2018 increases revenue in FY 2017
 - The net revenue results, based on the new 2015 Investment Grade study, were revised with the following primary changes compared with the previous November 2014 forecast:
 - Addition of 3+ Carpool HOV Violation leakage for false declaration of 3+ carpool exemption status using a FlexPass and traveling in the HOV lane.
 - Upward adjustment to revenue not recognized in the short term to account for higher rates of unidentifiable Pay By Mail owner/address resulting from an identified issue with the current transaction processing system.
 - Addition of miscellaneous pledged revenue for interest earnings and negotiated contractual damages (through FY 2017).
 - Downward adjustment to Pay By Mail rebilling fees as a result of improvement in rate of payment of first toll bill invoices.
 - Revision to system-wide toll collection costs that are shared across facilities by proportion allocation with revisions to the assumed start date of tolling on the I-405 ETLs between Bellevue and Lynnwood (revised from FY 2018 to FY 2016) and tolling on the SR 99 tunnel (revised from FY 2018 to FY 2019)
 - Addition of 3+ carpool enforcement costs and increase in toll-funded general and administrative costs, offsetting a reduction in system FTE requirements for the addition of new facilities.
 - Reduction in facility costs to account for lower unit cost prices.
- The November 2015 forecast includes the I-405 HOT lanes forecast for the first time.
 - I-405 traffic is 3.67 million in FY 2016 and 7.07 million in FY 2017 with an annual growth of 93%.
 - I-405 gross toll revenue potential is \$3.96 million in FY 2016 and \$7.95 million in FY 2017 which is an annual growth of 101% due to anticipating a ramp up in traffic over time.
- I-405 ETL adjusted gross toll revenue and fees are anticipated to be \$4.87 million in FY 2016 and \$7.94 million in FY 2017. In the current biennium adjusted gross toll revenue and fees is anticipated to be \$12.81 million.

Figure 48 Short-term Toll Facility Revenue
November 2015
millions of dollars

	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
Tacoma Narrows Bridge						
Adj Toll Revenue	\$77.52	\$85.88	\$163.39	\$87.36	\$88.69	\$176.05
Transponder Sales	0.36	0.34	0.70	0.47	0.43	0.89
Violations	0.00	0.00	0.00	0.00	0.00	0.00
Other Fees	0.43	0.44	0.87	0.44	0.44	0.88
Civil Penalties	1.78	1.88	3.66	1.93	1.96	3.90
Misc. Revenue	0.19	0.20	0.40	0.09	0.11	0.20
SR-167 HOT Lanes						
Toll Revenue	\$1.75	\$1.83	\$3.59			
Transponder Sales	0.041	0.042	0.083			
Fees & Misc Rev.	0.032	0.032	0.064			
SR 520 Bridge Revenue						
Adj Gross Toll Revenue	\$69.05	\$80.61	\$149.66	\$80.02	\$81.41	\$161.43
Other Fees/Recovered Tolls	2.14	2.23	4.37	2.43	2.44	4.87
Misc. Pledge Revenue	0.57	0.60	1.17	0.37	0.39	0.76
Transponder Sales	0.97	0.69	1.65	0.42	0.39	0.81
Civil Pnlty & Misc Rev.	7.31	7.58	14.89	7.83	7.84	15.67
I-405 HOT Lanes						
Adj Toll Revenue	\$3.74	\$7.51	\$11.25	\$8.98	\$9.71	\$18.69
Transponder Sales	1.01	0.17	1.18	0.13	0.13	0.26
Fees & Misc Rev.	0.13	0.25	0.38	0.30	0.32	0.62
Civil Penalties	0.29	0.84	1.13	1.19	1.29	2.48
Total Toll Facility Revenue						
Total Toll Revenue & Fees	\$167.30	\$191.13	\$358.43	\$191.96	\$195.57	\$387.53
% Change from Prior Fct	5.48%	8.42	7.03%	8.31%	7.92%	8.12%

Federal Funds Revenue

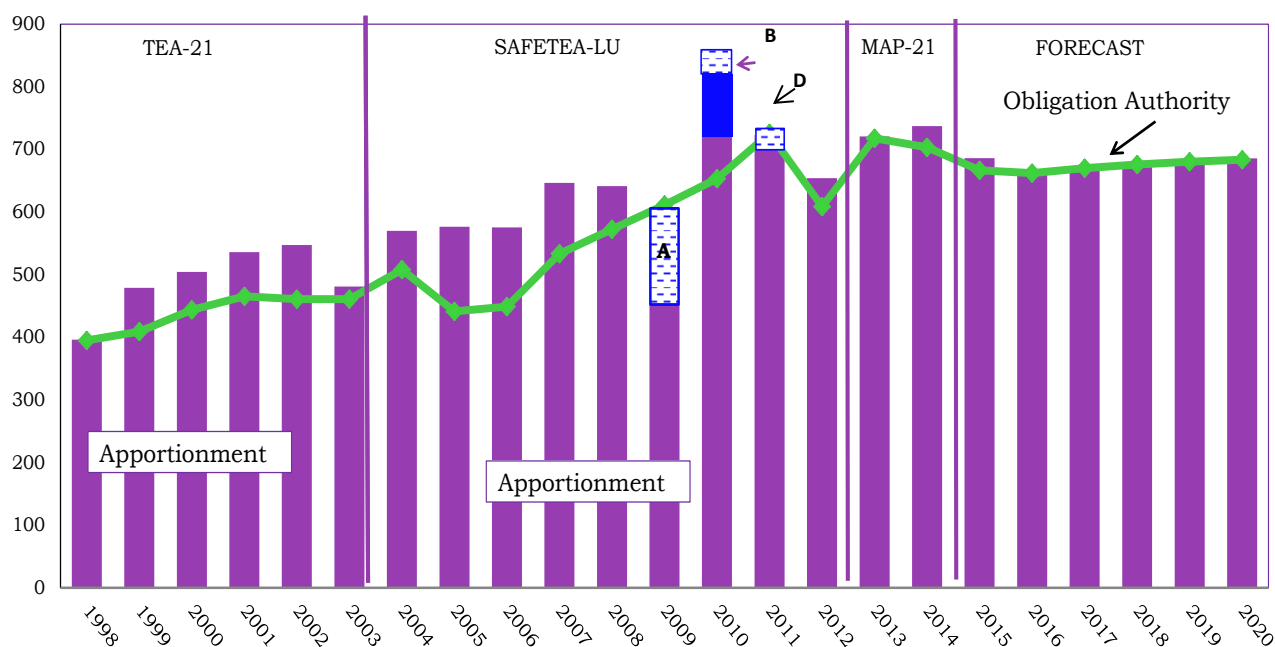
Federal Funding History

After state funds, the largest source of transportation revenue is federal funds. The Federal Funds forecast contains the formula funds distributed by the Federal Highway Administration (FHWA) to Washington State Department of Transportation for highway purposes. Federal funds reported in this forecast are based on federal fiscal year (FFY) which begins on October 1. The June 2013 and subsequent federal forecasts are based on the Moving Ahead for Progress in the 21st Century Act (MAP-21).

Figure 49 describes the amount of federal apportionment and obligation authority to Washington State since 1998 with the inclusion of the November 2015 forecast of federal funds through FY 2020. This twenty-three year historical period includes multiple federal transportation acts. First, the Transportation Equity Act for

the 21st Century (TEA-21) was enacted on November 9, 1998 for a 6-year period thru 2003. As the graph reveals, in the last year of TEA-21, Washington's federal apportionment was lower than the previous four years due to a mandatory rescission of more than 30% in 2003. The next federal transportation package passed was the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). In that original legislation, the program was due to end in 2009. In the final year of SAFETEA-LU, a mandatory rescission was imposed. Washington State's portion of this rescission was \$148 million. For the next three years, the SAFETEA-LU federal program was extended through multiple continuing resolutions. In 2010, the 2009 rescission was restored adding back \$148 million to Washington. Since that restoration of the 2009 rescission, Congress imposed a 2010 rescission of which Washington share was \$37.5 million and a 2011 rescission of which Washington share was \$44.0 million.

Figure 49 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) - Federal Fiscal Years 1998-2020 with the November 2015 Forecast



A - \$148 Million 2009 Rescission

B- \$38 Million 2010 Rescission

C- Restoration of \$148 Million 2009 Rescission in 2010

D - \$44 Million 2011 Rescission

Source: FHWA apportionment and obligation authority notices and TRFC November 2015 federal funds forecast

MAP-21

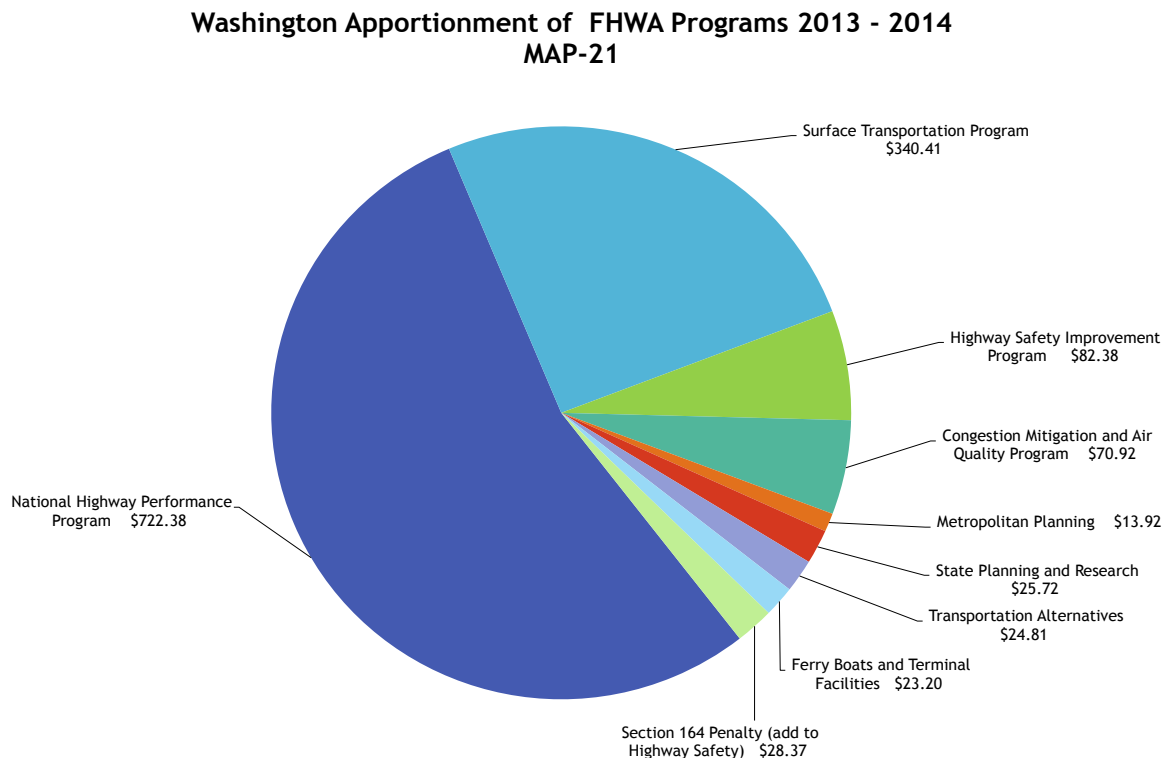
On July 6, 2012, President Obama signed into law, P.L. 112-141, the Moving Ahead for Progress in the 21st Century (MAP-21). This new law reauthorizes the federal surface transportation policy and program at the Congressional Budget Office's baseline level equal to current funding levels (FFY 2012) plus inflation which equals \$105 billion for two years (FFY 2013 and 2014). This bill did not significantly alter total funding from the previous authorization (SAFETEA-LU). MAP-21 funding levels are the basis for setting this long-term federal funds forecast of apportionment and obligation authority along with the latest CBO forecast of the Highway Trust Fund. While the obligation authority to apportionment ratio varied from year to year in the past, overall it averaged 98% which is the same OA to apportionment ratio we are forecasting in MAP-21 and the out years.

MAP-21 has the following five core programs:

- National Highway Performance Program
- Transportation Mobility Program
- National Freight Network Program
- Congestion Mitigation and Air Quality Improvement
- Highway Safety Improvement

Over the two year MAP-21 period, the majority of Washington's apportionment was spent on the National Highway Performance Program (\$722.38 million) and the Surface Transportation Program (\$340.41 million). The remaining MAP-21 programs got smaller distributions of the remaining apportionment. (Figure 50)

**Figure 50 Washington Apportionment of FHWA Programs MAP-21
2013 – 2014**



Continuing Resolution

The federal highway program is currently operating under the Highway and Transportation Funding Act of 2015, the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 and the Surface Transportation Extension Act of 2015. These bills extend the surface transportation programs, including the Federal-aid highway programs, under the Moving Ahead for Progress in the 21st Century Act (MAP-21), Pub. Law 112-141, through November 20, 2015.

Federal Funding – Short-term Forecast

The baseline November 2015 apportionment forecast shows actual apportionment distributions from FHWA for FFY 2013 totaling \$720.6 million dollars, FFY 2014 totaling \$737.1 million dollars and FFY 2015 totaling \$685.9 million. This includes all the discretionary and allocated programs apportionment of \$62.12 million in FFY 2013, \$61.0 million in FFY 2014 and \$29.7 million in FFY 2015. History indicates that Washington received 1.7% of national apportionment each year so that is our assumed percentage in future years for this November forecast.

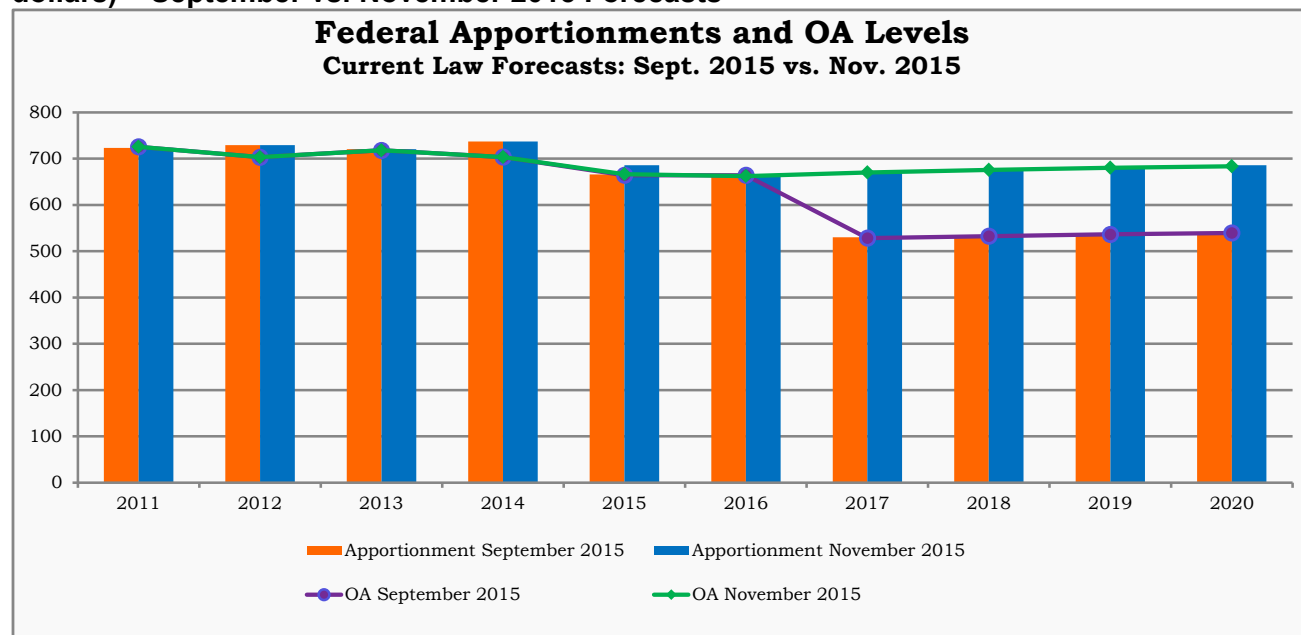
On October 23, 2015, President Obama signed H.R. 3819 the Surface Transportation Extension Act of 2015 which authorized federal apportionment to fund the five MAP-21 core formula programs through November 20, 2015. Federal apportionment is the funds distributed to states for obligation in an appropriation account. MAP-21 requires FHWA to divide the total federal apportionment among the states using an allocation process specified in law. The federal apportionment is then distributed between the state's core programs using formula calculation set in MAP-21

The November 2015 baseline forecast for FFY 2016 is driven by Notice N4510.796 dated November 5, 2015. Notice N4510.796 transmits apportionment to the states at FFY 2015 levels for the period of October 1, 2015 through November 20, 2015. The November 2015 baseline forecast for FFY 2016 is also driven by Notice N4510.797 dated November 5, 2014. Notice N4510.797 transmits the sequestration of exempt NHPP apportionment to the states for the period of October 1, 2015 through November 20, 2015. FFY 2016 has WA apportionment at \$664.3 million which is lower than the September 2015 federal forecast by \$1.8 million.

Long-term Apportionment Forecast

The November 2015 baseline forecast for FFY 2017 will assume a revenue fix or general fund transfer into the Highway Trust Fund and funding levels will remain consistent with FFY 2016. In light of this assumed funding level, the November 2015 baseline federal apportionment forecast assumes growth rate which mirrors the annual growth rate of the current Washington State fuel consumption forecast and subsequent years will also be based on the fuel consumption growth rates.

Figure 51 Federal Apportionment and Obligation Authority (OA) to Washington (millions of dollars) September vs. November 2015 Forecasts



Source: FHWA apportionment and obligation authority notices and TRFC November and Sept. 2015 federal funds forecast

This baseline methodology is different than previous baseline forecasts which reduced the FFY2017 apportionment by 20.4%. In prior forecasts we used the most recent Congressional Budget Office (CBO) forecast of the HTF, which predicts the HTF going negative in late FFY 2016, to determine the required reduction in HTF outlays in order to keep the HTF from going negative and expected reduction of 20.4% in FFY 2017. This new November baseline forecast change makes the forecast consistent with FHWA direction to states and other states' practices in determining future federal funding levels. In addition, recently both the US House of Representatives and the US Senate have introduced 6 year Federal Transportation Funding bills.

Both chambers' highway bills would maintain the federal government's current spending level of about \$50 billion per year for transportation projects, adjusted for inflation. To reach that level of federal transportation spending, however, Congress will have to come up with approximately \$16 billion per year to supplement the HTF revenue from the federal transportation revenue sources.

The Washington MAP-21 Steering Committee reviewed the split of Federal Funds between the State and Local programs in October 2012. Figure 52 outlines the state and local splits for individual program distributions. These agreed upon splits to the program distributions are reflected in the June 2015 federal forecast which has not been modified since they were first incorporated into the November 2012 forecast.

Figure 52 Results from Washington State Map-21 Steering Committee Distribution Decisions – 2012

MAP-21 Program	State Split	Local Split
National Highway Performance Program (NHPP)	94%	6%
Surface Transportation Program (STP)	27%	73%
Highway Safety Improvement Program (HSIP)		
Highway Safety component of HSIP	30%	70%
Rail Crossing Safety component of (HSIP)	100%	0%
Congestion Mitigation and Air Quality (CMAQ)	0%	100%
Metropolitan Planning (MPO)	0%	100%
Statewide Planning and Research (SPR)	100%	0%
Transportation Alternatives (TA)		
Recreational Trails component of TA	100%	0%
Population Distribution component of TA	0%	100%
Any Program Distribution component of TA	0%	100%

Civil Penalties in Federal Forecast

In this November forecast, as well as in the prior eight forecasts, the apportionment level for Washington had in the past an annual reduction due to civil penalties being imposed beginning in FFY 2010. The penalty is referred to as the “Minimum Penalties for Repeat Offenders for Driving While Intoxicated or Driving under the Influence” (23 USC, Section 164). In the current forecast, the civil penalties are shown as a \$14.2 million reduction in the National Highway Performance Program (MHPP). FHWA transfers this \$14.2 million into the Highway Safety program.

In July of 2014, the National Highway Traffic Safety Administration (NHTSA) reviewed Washington's compliance with the requirements of 23U.S.C. section 164 and found Washington State to meet the requirements of the “Repeat Intoxicated Driver Laws” and is not subject to the Section 164 penalty beginning in FFY 2015.

Washington's Obligation Authority (OA) Forecast

Obligation authority is a limitation placed on Federal-aid highway and highway safety construction program obligations to act as a ceiling on the obligation of apportionment that can be made within a specified time period. These limits are imposed in order to control the highway program spending in response to economic and budgetary conditions.

The FFY 2013, 2014 and 2015 federal funds have been reconciled to match actual Obligation Authority distributions from FHWA totaling \$717.9 million, \$703.3 million and \$664.1 million dollars. Washington received 1.6% of national Formula OA. After examining past years' Washington OA compared to the national OA totals, it was found that once all OA, including unallocated programs and redistributed OA are accounted for, WSDOT's

total OA is slightly higher than 1.6%. All other years in the forecast horizon have Washington OA also set at 98% of apportionment which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation.

The current Obligation Authority for FFY2016 is 662.3 million which is -0.3% below the last forecast. Obligation Authority for federal fiscal years beyond 2016 is set based on 98% of apportionment each year which is consistent with the OA ratio set in Section 1101 and 1102 of H.R 4348 in MAP-21 legislation and our prior forecast assumptions.

Washington's Ferry Boat and Terminal Program in MAP-21

MAP-21 created a Ferry Boat and Ferry Terminal Facilities formula program. MAP-21 turned the current competitive Ferry Boat Discretionary Program into a \$67 million a year nationwide formula program. This new program guarantees public ferry systems a set amount of annual federal ferry funding for the length of the 2 year bill. The ferry formula is based on 20% passenger count, 45% on vehicle counts and 35% on route miles. Washington's ferry boat federal apportionment was \$3.9 million in FFY 2013 and \$21.8 million in FFY 2014. Actual FFY 2013 ferry formula funds came in \$7.5 million less than anticipated in the last forecast but FFY 2014 ferry formula funds came in \$9.9 million more than anticipated last quarter. This November forecast, like prior forecasts, assumes the continuation of the ferry boat funding throughout the forecast horizon. The ferry formula funds are anticipated to grow at the same rate as other federal funds.

Recent Changes in Federal Forecast

- This current FFY 2016 federal apportionment forecast is \$664.3 million which is -0.3% or \$1.8 million lower than the past forecast.
- The obligation authority for FFY 2016 in the November forecast is \$662.3 million which is -0.3% or \$1.8 million lower than the last forecast.
- Both the US House of Representatives and the US Senate have 6 year federal transportation funding bills under consideration. Both of these long term funding bills fund federal highways at current FFY 2015 funding levels.
- The current FFY 2017 federal apportionment forecast is \$672.1 million which is 26.8% or \$142.2 million higher than the previous forecast.
- The obligation authority forecast for FFY 2017 is \$670.1 million which is 26.8% or \$141.7 million higher than the previous forecast.

**Figure 53 Washington's portion of Federal Highway Funds by Federal Fiscal Year
November 2015**

Millions of dollars

	FF 2016	FY 2017	FY 2018	FY 2019	FY 2020
WA Statewide Apportionment of FHWA Programs	664.3	672.1	677.9	682.5	685.8
% Change from Prior Fcst	-0.3%	26.85%	26.9%	26.9%	26.7%
Obligation Authority	662.3	670.1	675.8	680.4	683.7
% Change from Prior Fcst	-0.3%	26.85%	26.9%	26.9%	26.7%

Forecast Contacts

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Federal Funds Forecast

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Appendix

Graphs and Tables Related to the November 2015 Forecast
Including distribution of revenues to the major accounts

Figure 54 Forecast to Forecast Biennium Comparison of All Transportation Revenues
November 2015 forecast - 16 year period

millions of dollars

Forecast to Forecast Comparison for Transportation Revenues and Distributions							16-Year Period		
November 2015• millions of dollars									
	Current Biennium						16-Year Period		
	2015-2017			2017-2019			(2011-2027)		
	Forecast Nov-15	Chg from Sep-15	Percent Change	Forecast Nov-15	Chg from Sep-15	Percent Change	Forecast Nov-15	Chg from Sep-15	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	3,240.17	6.24	0.19%	3,535.42	13.77	0.39%	26,212.52	42.02	0.16%
Licenses, Permits and Fees	1,246.11	4.30	0.35%	1,428.98	1.71	0.12%	10,977.22	76.24	0.70%
Ferry Revenue†	374.27	(2.15)	-0.57%	384.45	(1.94)	-0.50%	3,041.72	(16.41)	-0.54%
Toll Revenue §	358.43	23.54	7.03%	387.53	29.10	8.12%	2,995.22	235.27	8.52%
Aviation Revenues ‡	5.81	(1.16)	-16.69%	6.95	(0.21)	-2.94%	53.31	(2.32)	-4.18%
Rental Car Tax	62.78	1.45	2.36%	65.57	1.58	2.47%	517.45	9.62	1.89%
Vehicle Sales Tax	89.77	2.83	3.26%	95.32	3.80	4.15%	744.83	23.89	3.31%
Driver-Related Fees	304.30	3.80	1.26%	294.01	0.43	0.14%	2,303.21	9.07	0.40%
Business/Other Revenues‡	31.64	(0.06)	-0.20%	30.36	(0.05)	-0.18%	232.54	(0.19)	-0.08%
Total Revenues	5,713.28	38.77	0.68%	6,228.59	48.18	0.78%	47,078.03	377.18	0.81%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	190.17	9.12	5.04%	204.71	(0.14)	-0.07%	1,558.48	7.96	0.51%
State Uses									
Motor Vehicle Account (108)	1,232.29	1.60	0.13%	1,259.35	2.83	0.23%	9,851.24	(304.69)	-3.00%
Transportation 2003 (Nickel) Account (550)	409.99	0.11	0.03%	420.98	2.06	0.49%	3,298.07	10.26	0.31%
Transportation 2005 Partnership Account (09H)	605.44	(0.95)	-0.16%	624.24	2.39	0.39%	4,927.83	20.08	0.41%
Connecting Washington Account (20H)	531.57	(0.67)	100.00%	797.46	3.40	100.00%	4,565.76	8.27	100.00%
Multimodal Account (218)	384.18	5.30	1.40%	491.75	5.43	1.12%	3,805.51	359.72	10.44%
Special Category C Account (215)	49.10	(0.08)	-0.17%	50.26	0.21	0.43%	397.64	0.48	0.12%
Puget Sound Capital Construction Account (099)	35.73	(0.06)	-0.17%	36.57	0.16	0.43%	289.32	0.35	0.12%
Puget Sound Ferry Operations Account (109)	428.77	(1.95)	-0.45%	440.70	(1.75)	-0.40%	3,485.53	(13.69)	-0.39%
Capital Vessel Replacement Account (18J)	41.98	0.09	0.20%	36.67	0.02	0.05%	249.20	(0.06)	-0.02%
Tacoma Narrows Bridge Account (511)	169.02	2.63	1.58%	181.92	3.83	2.15%	1,370.68	23.64	1.76%
High Occupancy Toll Lanes Account (09F)^	3.73	0.06	0.00%	0.00	0.00	0.00%	9.02	0.06	0.62%
SR 520 Corridor Account (16J)	156.85	2.55	1.66%	167.88	(1.51)	-0.89%	1,326.18	14.99	1.14%
SR 520 Corridor Civil Penalties Account (17P)	14.89	4.35	41.30%	15.67	4.72	43.08%	127.05	34.29	36.97%
Interstate 405 Express Toll Lanes Operations (595)	13.94	13.94	100.00%	22.06	22.06	100.00%	162.29	162.29	100.00%
Aeronautics Account (039)	5.81	(1.16)	-16.69%	6.95	(0.21)	-2.94%	53.31	(2.32)	-4.18%
State Patrol Highway Account (081)	378.87	1.08	0.29%	402.36	0.53	0.13%	3,168.32	37.23	1.19%
Highway/Motorcycle Safety Accts. (106 & 082)	268.94	4.25	1.60%	258.17	0.79	0.31%	2,017.79	10.98	0.55%
School Zone Safety Account (780)	1.10	(0.06)	-5.51%	1.10	(0.07)	-6.23%	9.45	(0.43)	-4.34%
Other accounts (201, 06T, 09T, 09E, 216, 07C)	17.05	0.07	0.41%	17.40	0.03	0.17%	139.72	0.26	0.19%
Ignition Interlock Devices Revolving Acct 14V	6.64	0.05	0.75%	6.46	0.09	1.43%	45.81	0.51	1.12%
Multise Roadway Safety Account Collections-571	0.10	0.00	2.44%	0.10	0.00	0.19%	0.68	0.00	0.62%
Total for State Use	4,755.89	31.13	0.66%	5,237.96	45.01	0.87%	39,299.73	362.20	0.93%
Cities	188.32	(0.32)	-0.17%	192.75	0.82	0.43%	1,524.97	1.84	0.12%
Counties	309.97	(0.71)	-0.23%	317.74	1.32	0.42%	2,515.29	2.83	0.11%
Transportation Improvement Board (112 & 144)	201.25	(0.34)	-0.17%	206.07	0.88	0.43%	1,630.56	2.05	0.13%
County Road Administration Board (102 & 253)	67.69	(0.11)	-0.17%	69.36	0.30	0.43%	549.00	0.75	0.14%
Total for Local Use	767.23	(1.49)	-0.19%	785.92	3.32	0.42%	6,219.83	7.47	0.12%
Total Distribution of Revenue	5,713.28	38.77	0.68%	6,228.59	48.18	0.78%	47,078.03	377.63	0.81%

† Ferry Fares plus non-farebox revenue

‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.

§ 167 HOT lanes is a pilot program due to sunset June 30, 2017 and I-405 Express Toll Lanes forecast was first brought into the November 2015 forecast

Figure 55 Forecast to Baseline Biennium Comparison of All Transportation Revenues
November 2015 forecast - 16 year period

millions of dollars

Forecast to Baseline Comparison for Transportation Revenues and Distributions 16-Year Period									
November 2015• millions of dollars									
	Current Biennium 2015-2017			2017-2019			16-Year Period (2011-2027)		
	Forecast Nov-15	Chg from Baseline ¥	Percent Change	Forecast Nov-15	Chg from Baseline ¥	Percent Change	Forecast Nov-15	Chg from Baseline ¥	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Tax Collections	3,240.17	648.04	25.00%	3,535.42	908.66	34.59%	26,212.52	5,281.07	25.23%
Licenses, Permits and Fees	1,246.11	136.72	12.32%	1,428.98	297.02	26.24%	10,977.22	2,050.01	22.96%
Ferry Revenue†	374.27	9.56	2.62%	384.45	10.21	2.73%	3,041.72	59.71	2.00%
Toll Revenue §	358.43	43.05	13.65%	387.53	51.25	15.24%	2,995.22	372.13	14.19%
Aviation Revenues ‡	5.81	(0.33)	-5.34%	6.95	0.67	10.66%	53.31	2.90	5.75%
Rental Car Tax	62.78	2.09	3.44%	65.57	2.24	3.54%	517.45	13.76	2.73%
Vehicle Sales Tax	89.77	4.31	5.05%	95.32	5.50	6.12%	744.83	35.37	4.99%
Driver-Related Fees	304.30	14.84	5.13%	294.01	10.63	3.75%	2,303.21	75.09	3.37%
Business/Other Revenues ±	31.64	2.31	7.86%	30.36	1.24	4.25%	232.54	10.32	4.64%
Total Revenues	5,713.28	860.59	17.73%	6,228.59	1,287.41	26.05%	47,078.03	7,900.35	20.17%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	190.17	46.50	32.37%	204.71	55.94	37.60%	1,558.48	343.17	28.24%
State Uses									
Motor Vehicle Account (108)	1,232.29	85.89	7.49%	1,259.35	97.55	8.40%	9,851.24	626.62	6.79%
Transportation 2003 (Nickel) Account (550)	409.99	7.30	1.81%	420.98	13.02	3.19%	3,298.07	76.15	2.36%
Transportation 2005 Partnership Account (09H)	605.44	10.71	1.80%	624.24	22.29	3.70%	4,927.83	139.50	2.91%
Connecting Washington Account (20H)	531.57	531.57	100.00%	797.46	797.46	100.00%	4,565.76	4,565.76	100.00%
Multimodal Account (218)	384.18	92.25	31.60%	491.75	186.25	60.97%	3,805.51	1,378.93	56.83%
Special Category C Account (215)	49.10	0.51	1.05%	50.26	1.06	2.16%	397.64	6.27	1.60%
Puget Sound Capital Construction Account (099)	35.73	0.37	1.05%	36.57	0.77	2.16%	289.32	4.56	1.60%
Puget Sound Ferry Operations Account (109)	428.77	11.65	2.79%	440.70	13.25	3.10%	3,485.53	78.97	2.32%
Capital Vessel Replacement Account (18J)	41.98	(2.89)	-6.44%	36.67	(1.59)	-4.14%	249.20	(11.25)	-4.32%
Tacoma Narrows Bridge Account (511)	169.02	18.47	12.27%	181.92	25.99	16.66%	1,370.68	153.13	12.58%
High Occupancy Toll Lanes Account (09F)*	3.73	3.73	0.00%	0.00	0.00	0.00%	9.02	4.13	0.00%
SR 520 Corridor Account (16J)	156.85	2.55	1.66%	167.88	(1.51)	-0.89%	1,326.18	14.33	1.09%
SR 520 Corridor Civil Penalties Account (17P)	14.89	4.35	41.30%	15.67	4.72	43.08%	127.05	38.25	43.08%
Interstate 405 Express Toll Lanes Operations (595)	13.94	13.94	100.00%	22.06	22.06	100.00%	162.29	162.29	100.00%
Aeronautics Account (039)	5.81	(0.33)	-5.34%	6.95	0.67	10.66%	53.31	2.90	5.75%
State Patrol Highway Account (081)	378.87	11.35	3.09%	402.36	22.35	5.88%	3,168.32	144.18	4.77%
Highway/Motorcycle Safety Accts. (106 & 082)	268.94	15.28	6.02%	258.17	11.21	4.54%	2,017.79	78.19	4.03%
School Zone Safety Account (780)	1.10	0.22	25.22%	1.10	0.22	25.22%	9.45	1.48	18.56%
Other accounts (201, 06T, 09T, 09E, 216, 07C)	17.05	(0.12)	-0.71%	17.40	(0.22)	-1.26%	139.72	(1.06)	-0.75%
Ignition Interlock Device Revolving Acct 14V	6.64	0.32	5.09%	6.46	0.14	2.20%	45.81	1.20	2.70%
Multiuse Roadway Safety Account Collections-571	0.04	(0.00)	-4.54%	0.10	0.01	12.18%	0.62	0.01	1.52%
Total for State Use	4,755.89	807.12	20.44%	5,237.96	1,215.70	30.22%	39,299.73	7,464.55	23.45%
Local Uses									
Cities	188.32	1.96	1.05%	192.75	4.07	2.16%	1,524.97	24.05	1.60%
Counties	309.97	2.14	0.70%	317.74	5.78	1.85%	2,515.29	33.90	1.37%
Transportation Improvement Board (112 & 144)	201.25	2.13	1.07%	206.07	4.40	2.18%	1,630.56	25.87	1.61%
County Road Administration Board (102 & 186)	67.69	0.73	1.10%	69.36	1.51	2.23%	549.00	8.81	1.63%
Total for Local Use	767.23	6.97	0.92%	785.92	15.77	2.05%	6,219.83	92.63	1.51%
Total Distribution of Revenue	5,713.28	860.59	17.73%	6,228.59	1,287.41	26.05%	47,078.03	7,900.35	20.17%

¥ Baseline is the March 2015 forecast.

† Ferry Fares plus non-farebox revenue

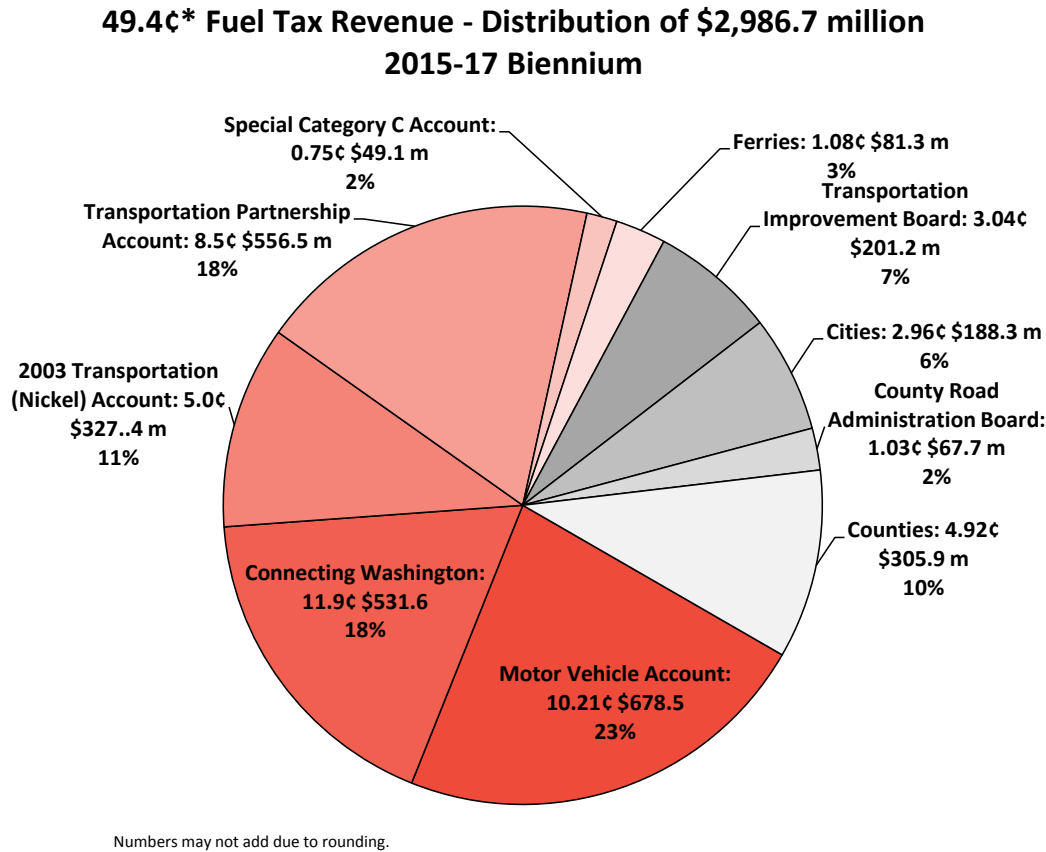
‡ Aviation Revenues and Business/Other Revenues net of amounts transferred to General Fund.

§ 167 HOT lanes is a pilot program due to sunset June 30, 2017 and I-405 Express Toll Lanes forecast was first brought into the November 2015 forecast

Motor Fuel Tax Revenue for Distribution

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the November 2015 fuel tax revenue forecast for the 2015-2017 biennium.

Figure 56 Fuel Tax Revenue for Statutory Distribution

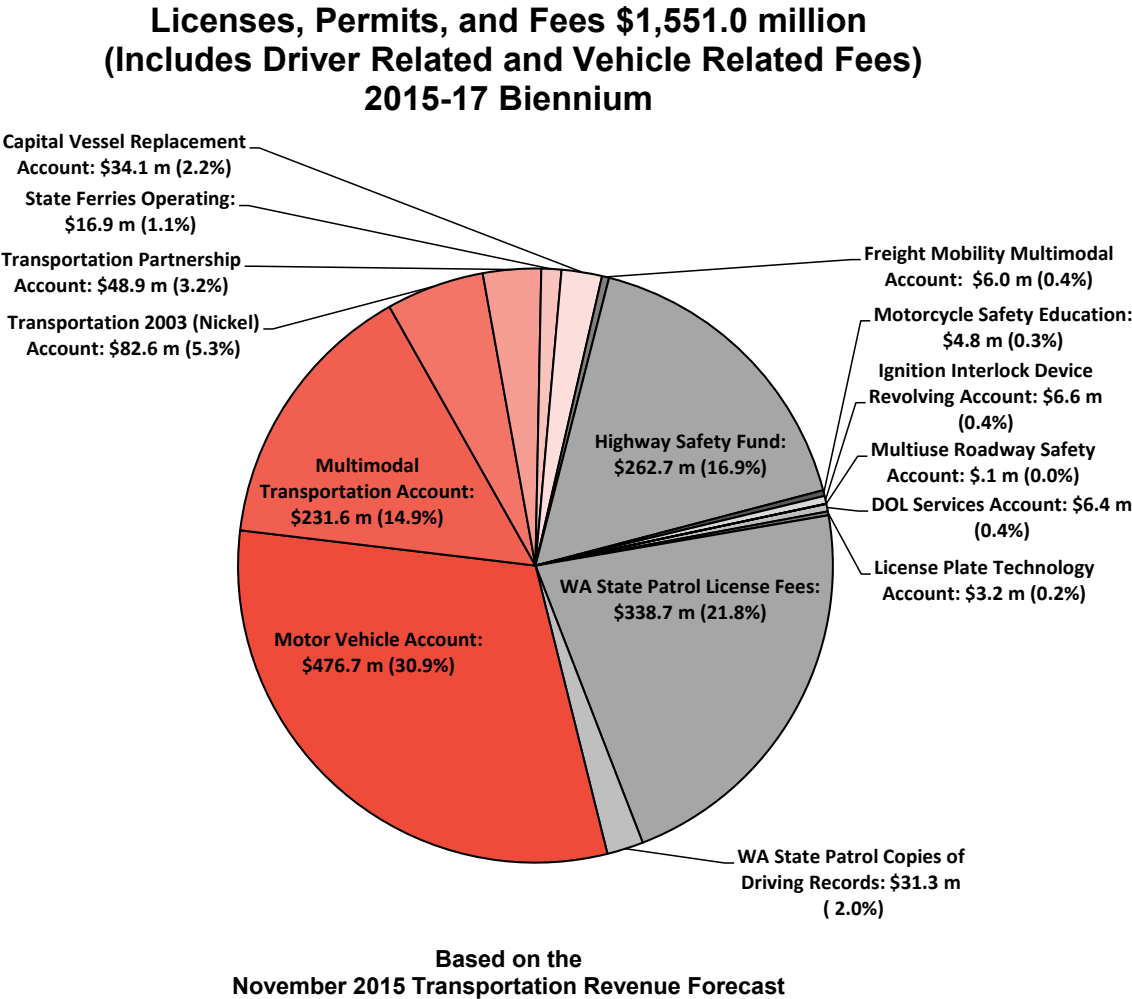


Gas Tax Revenue Distribution is Based on the November 2015 Transportation Revenue Forecast

Licenses, Permits, and Fees Revenue for Distribution (Both Motor Vehicle and Driver Related)

The pie chart below shows the statutory distribution of funds to the various jurisdictions based on the November 2015 Licenses, Permits and Fees revenue forecast for the 2015-2017 biennium.

Figure 57 License Permits and Fees Revenue for Distribution (Both Motor Vehicle & Driver Related)



Impact to Transportation Accounts

Figure 58 Motor Vehicle Account Revenue November 2015 Forecast

Motor Vehicle Account Revenue <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenues						
Gross Fuel Tax Collections (Gas & Diesel)	3,240.2	6.2	3,535.4	13.8	17,550.6	36.3
Licenses, Permits, & Fees	476.2	0.8	531.9	0.0	2,674.4	58.4
Business-Related Revenue	19.1	0.0	17.7	0.0	82.2	0.1
Total	3,735.4	7.0	4,085.0	13.8	20,307.2	94.9
Distribution						
Refunds-Regular	190.2	9.1	204.7	(0.1)	1,044.7	8.1
Fuel Tax Distributions for Local Uses ¹	767.2	(1.5)	785.9	3.3	3,944.1	5.9
Fuel Tax Distributions for State Uses ²	1,545.8	(2.2)	1,835.2	7.8	8,959.1	15.3
Total	2,503.2	5.4	2,825.9	11.0	13,947.9	29.3
Transfers Out						
Transfers to Cities	5.5	5.5	11.7	11.7	(26.2)	(26.2)
Transfers to Counties	5.5	5.5	11.7	11.7	(26.2)	(26.2)
Total	10.9	10.9	23.4	23.4	(52.3)	(52.3)
Net Revenue	1,232.2	1.6	1,259.1	2.8	6,359.4	65.5

Many of the forecasted revenues are deposited into the Motor Vehicle Account—the largest transportation account. Initially all fuel tax revenues and all business-related revenues are deposited into this account. Net revenues that remain after statutory distributions are subject to 18th Amendment restrictions. This November forecast brings in additional transfers out of the Motor Vehicle Account due to the passage of the 2015 Transportation Revenue package.

Figure 59 Transportation 2003 (Nickel) Account Revenue Forecast

Transportation 2003 (Nickel) Account <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
5¢ Gas Tax	327.4	(0.6)	335.1	1.4	1,680.9	2.6
Licenses, Permits and Fees	82.6	0.7	85.9	0.6	431.5	1.7
Total	410.0	0.1	421.0	2.1	2,112.4	4.3

In 2003, the legislature established the Transportation 2003 (Nickel) Account in the state treasury to be the repository of the “nickel” fuel tax increase, and increases in various vehicle licenses, permits, and fees. Since fuel tax receipts are deposited into this account, uses are restricted to highway purposes in accordance with the 18th Amendment to the Washington State Constitution. The “Nickel” Account was established to provide funding for a specific list of highway and ferry projects. The majority of the projects are bond financed and by 2015 the revenues in this account will be almost fully leveraged for debt service.

Figure 60 Transportation Partnership Account Revenue Forecast

Transportation Partnership Account <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
5¢ Gas Tax	556.5	(0.9)	569.6	2.4	2,857.6	4.5
Licenses, Permits and Fees	48.9	(0.0)	54.6	(0.0)	277.0	0.3
Total	605.4	(1.0)	624.2	2.4	3,134.6	4.8

In 2005, the legislature established the Transportation Partnership Account in the state treasury to be the repository of the state portion of the new 9.5¢ fuel tax increases that took effect between July 1, 2005, and July 1, 2008. The tax revenues support bond sales for specific highway projects adopted by the legislature. Like fuel tax receipts in the Nickel and Motor Vehicle accounts, these funds are protected by the 18th Amendment to the State Constitution and can be used only for highway purposes.

Figure 61 Washington State Ferry Accounts Revenue Forecast

Washington State Ferries Accounts <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
Puget Sound Ferry Op. Acct. (109)						
Ferry Fares	358.5	(1.9)	368.8	(1.6)	1,871.1	(11.9)
Concessions & Other Revenue	7.9	(0.2)	7.5	(0.3)	41.0	(1.4)
Fuel Tax	45.6	0.1	46.3	0.2	231.9	0.5
Licenses, Permits and Fees	16.9	(0.0)	18.1	(0.1)	92.1	(0.1)
Subtotal	428.8	(2.0)	440.7	(1.8)	2,236.0	(12.9)
Capital Vessel Replacement Account (18J)	42.0	0.1	36.7	(0.0)	188.3	(0.0)
Ferry Capital Surcharge	7.9	(0.1)	8.1	(0.0)	41.4	(0.3)
Title Service fee & Reg. Service fee	34.1	0.2	28.6	0.1	146.9	0.3
Puget Sound Cap. Const. Acct. (099) Fuel Tax	35.7	(0.1)	36.6	0.2	183.5	0.3
Total	464.5	(2.0)	477.3	(1.6)	2,419.4	(12.6)

Since Washington State Ferries are considered part of the Washington highway system, funds that are restricted to highway use can be deposited into ferry accounts. Revenues deposited into the ferry accounts are used for operating costs and capital construction projects. The ferry operating account (109) consists of ferry fares, concession and other revenue, fuel tax allocations and licenses, permits and fee distributions. The revenues used for capital construction are different than the ferry operating account revenues. There are two revenue sources being deposited into the vessel replacement account (18J): the \$0.25 ferry fare surcharge and certain title and vehicle registration service fees established in 2014 legislation E2SHB 1129.

Figure 62 Multimodal Transportation Account Revenue Forecast

Multimodal Account <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
Licenses, Permits and Fees	231.6	1.0	330.9	0.1	1,785.1	3.3
Rental Car Tax	62.8	1.4	65.6	1.6	339.6	7.9
Vehicle Sales Tax	89.8	2.8	95.3	3.8	494.2	19.3
Transfers Out						
Transfers to Cities	6.2	6.2	13.4	13.4	59.8	59.8
Transfers to Counties	6.2	6.2	13.4	13.4	59.8	59.8
Transfer to General Fund for Sales Tax Exemption for electric and plug-in hybrid vehicles	7.4	7.4	9.3	9.3	17.1	17.1
Transfer to General Fund for B&O/PUT Tax Credits for alternative fueled commercial vehicles	8.5	8.5	12.0	12.0	35.5	35.5
Transfer to General Fund for B&O Tax Credits for businesses with a commute trip reduction program	0.0	0.0	5.5	5.5	17.9	17.9
Total Transfers Out	12.5	12.5	26.8	26.8	119.6	119.6
Total (after reduction from transfers out)	371.7	(7.2)	465.0	(21.4)	2,499.2	(89.2)

Revenues deposited into the Multimodal Transportation Account are not subject to 18th Amendment restrictions and may be used for both highway and non-highway purposes. Tax revenues deposited in the Multimodal Account are from the rental car tax (5.9 percent), sales tax on new and used vehicles (0.3 percent), \$2.00 of a \$3.00 vehicle registration filing fee, vehicle weight fees imposed in 2005 legislation, and other miscellaneous filing fees. Only those motor vehicle filing fees collected by the Department of Licensing and not by county subagents are deposited in the Multimodal Account. In the 2015 Transportation Revenue package, the passenger vehicle weight fees were raised which increased the forecast to forecast change in September by \$1.25 billion over the 10 year period. The 2015 legislation also added new transfers out of the multimodal account for cities and counties, tax credits like the sales tax exemption for electric and hybrid vehicles, business tax credits for alternative fueled commercial vehicles and B&O tax credits with commute trip reduction programs.

Figure 63 Aeronautics Account Revenue Forecast

Aeronautics Account <i>dollars in thousands</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
Aircraft Dealer License Fees	6.2	0.0	6.2	0.0	31.0	0.0
Aircraft Excise Tax	693.4	623.6	701.8	631.2	3,546.2	3,189.5
Aircraft Fuel Tax	4,158.6	(1,155.8)	5,214.8	(204.8)	25,255.3	(2,033.0)
Aeronautics Transfer (from MV Fund)	724.0	5.4	794.4	6.8	3,921.7	25.6
Aircraft Registrations	229.1	(8.9)	231.9	(8.5)	1,171.4	(42.6)
Total	5,811.3	(535.7)	6,949.1	424.7	33,925.6	1,139.5

Revenues deposited into the Aeronautics Account consist of aircraft fuel tax, aircraft excise tax, aircraft dealer license fees, and the aircraft excise tax. Forecasts of aviation revenues are prepared by the Department

of Transportation and the Department of Licensing. The most significant component of the Aeronautics Account is the aircraft fuel tax forecast. This forecast is a function of three factors: the tax rate, the gallons of fuel delivered, and the gallons of fuel refunded. Aviation fuel consumption is projected based primarily on the annual FAA's general aviation fuel consumption forecast.

In 2015, the Legislature changed the distribution of the aircraft excise taxes from ninety percent to the general fund and ten percent to the aeronautics account to all of the excise tax being distributed to the aeronautics account.

Figure 64 Toll Revenue Forecast

Tolling Accounts <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
Tacoma Narrows Bridge Account						
Toll Revenues and Fees	163.4	1.9	176.1	3.0	895.9	16.1
Miscellaneous Revenue (contractual damages, interest earnings)	0.4	0.4	0.2	0.2	1.2	1.2
Transponder Sales	0.7	0.2	0.9	0.5	2.9	1.0
Late payment fees plus NSF / statement fees	0.9	0.2	0.9	0.1	4.4	0.6
Violations	0.0	0.0	0.0	0.0	0.0	0.0
Civil Penalty	3.7	0.0	3.9	0.0	19.9	0.0
Subtotal Tacoma Narrows Bridge	169.0	2.6	181.9	3.8	924.3	19.0
HOT Lanes Operations Account ^						
Toll Revenues	3.6	0.0	0.0	0.0	3.6	0.0
Transponder Sales/ Shield Sales	0.1	0.0	0.0	0.0	0.1	0.0
Fees	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Revenues	0.1	0.1	0.0	0.0	0.1	0.1
Subtotal HOT Lanes Operations	3.7	0.1	0.0	0.0	3.7	0.0
SR 520 Bridge						
Toll Revenues and Fees	149.7	1.4	161.4	(1.9)	858.7	1.9
Misc. Pledged Revenue	1.2	1.2	0.8	0.8	5.2	5.2
Transponder Sales/ Shield Sales	1.7	0.7	0.8	0.2	5.0	1.2
Late payment fees plus NSF / statement fees	2.7	(0.7)	2.8	(0.7)	15.2	(2.8)
Recovered toll & fee revenue	1.6	(0.0)	2.0	0.2	11.1	1.9
Civil Penalties	14.9	4.4	15.7	4.7	83.1	27.2
Misc. Revenues	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal SR 520 Bridge	171.7	6.9	183.5	3.2	978.4	34.7
Interstate 405 Express Toll Lanes Operations						
Toll Revenues and Fees	11.2	11.2	18.7	18.7	106.8	106.8
Miscellaneous Revenue (contractual damages, interest earnings)	0.0	0.0	0.0	0.0	0.0	0.0
Transponder Sales	1.2	1.2	0.3	0.3	2.2	2.2
Late payment fees plus NSF / statement fees	0.4	0.4	0.6	0.6	3.0	3.0
Civil Penalty	1.1	1.1	2.5	2.5	12.0	12.0
Subtotal Interstate 405 Express Toll Lanes Operations	13.9	13.9	22.1	22.1	124.0	124.0
Total Tolling Revenues	358.4	23.5	387.5	29.1	2,030.5	177.7

^ HOT Lanes pilot program expires at the end of June 2017

Currently there are three tolled corridors in Washington, The Tacoma Narrows Bridge, SR 520 Bridge and State Route 167 HOT Lanes which has variable tolling rates. Toll collections, transponder sales, violations, and fines and fees are deposited into the Tacoma Narrows Bridge, 520 Bridge or the HOT Lanes Operations Account. The SR-167 HOT Lanes is a pilot project, currently set to end in June 30, 2017.

Figure 65 Washington State Patrol, Highway Safety & Motorcycle Safety Education Accounts Revenue Forecast

Highway Safety/Motorcycle Safety/WSP <i>dollars in millions</i>	Current Biennium 2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
Highway Safety						
Driver License Fees	220.9	4.7	209.4	1.2	1,057.9	11.1
Copies of Records	35.3	(0.4)	36.0	(0.3)	182.6	(1.4)
Other and Miscellaneous	5.9	0.1	5.9	(0.2)	29.5	(0.9)
Subtotal	262.0	4.4	251.2	0.8	1,270.0	8.9
Motorcycle Safety Permits/Endorsements	4.9	0.0	4.9	0.0	24.8	0.5
State Patrol Copies of Records / LPF/Business Related	378.9	1.1	402.4	0.5	2,045.9	4.6
Subtotal	383.7	1.1	407.2	0.6	2,070.7	5.1
Total	645.8	5.5	658.5	1.3	3,340.7	14.0

Forecasts of revenues for the Washington State Patrol (WSP), Highway Safety Account and the Motorcycle Safety Education Account are prepared by the Department of Licensing and the Washington State Patrol. These accounts are supported primarily from driver licensing related revenue. Forecasts include estimates of the following revenue sources.

- Revenues derived from interest on contracts
- Commercial driver training
- Driver's license fees
- Business Related Revenues for WSP
- Copies of records
- Motorcycle permits and endorsements
- Motor vehicle filing fees

Figure 66 School Zone Safety Account Revenue Forecast

School Zone Safety Account <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenue						
School Zone Fines	1.1	(0.1)	1.1	(0.1)	5.5	(0.4)
Total	1.1	(0.1)	1.1	(0.1)	5.5	(0.4)

Revenues for this account come from fines for speeding violations in school zones. This account serves as a repository for fines assessed against persons speeding in school/playground speed zones. Funds in this account are available for use by community organizations to improve safety near school zones.

Figure 67 Multiuse Road Safety Account Revenue Forecast

Multiuse Roadway Safety Account Collections <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast	Chg from	Forecast	Chg from	Forecast	Chg from
	Nov 15	Sep 15	Nov 15	Sep 15	Nov 15	Sep 15
Revenue						
License Permit and Fees	0.1	0.0	0.1	0.00	0.5	0.00
Total	0.1	0.00	0.1	0.00	0.5	0.00

The Multiuse Roadway Safety Account was established through 2013 legislation (ESHB 1632). Revenues for this account come from vehicle license fees. The law established a new on-road declaration for wheeled all-terrain vehicles to be used on-road with a new \$12 fee going to the Multiuse Roadway Safety Account. Expenditures may be used only for grants administered by DOT to: counties to perform safety engineering analysis of mixed vehicle use on any road within a county, local governments to provide funding for signs, the state patrol or local law enforcement for purposes of defraying the costs of enforcement of this act, and law enforcement to investigate accidents involving wheeled all-terrain vehicles.

Figure 68 Connecting Washington Account Revenue Forecast

Connecting Washington Account <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast	Chg from	Forecast	Chg from	Forecast	Chg from
	Sep 15	Jun 15	Sep 15	Jun 15	Sep 15	Jun 15
Revenues						
Motor Vehicle Fuel Taxes	531.6	(0.7)	797.5	3.4	3,755.2	7.2
Total	531.6	(0.7)	797.5	3.4	3,755.2	7.2
Transfers In						
Transfers In from General Fund	-	-	-	-	83.0	83.0
Total	-	-	-	-	83.0	83.0
Net Revenue	531.6	(0.7)	797.5	3.4	3,838.2	90.2

The Connecting Washington Account was established through 2015 Transportation Revenue Package legislation (2ESSB 5987). Revenues for this motor vehicle sub-account come from a fuel tax rate increase of 11.9 cents per gallon that will be phased in over two years (FY 2016 and 2017). The source of revenue for the Connecting Washington account is motor vehicle fuel tax and transfers from the General Fund. These taxes and fees are protected by the 18th Amendment of the State Constitution and can be used only for highway-related purposes.

Figure 69 2015 Transportation Revenue Package Forecast

Transportation Revenue Bill - 2ESSB 5987 & SHB 1480 <i>dollars in millions</i>	2015-17		2017-19		10-Year Period (2015-2025)	
	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15	Forecast Nov 15	Chg from Sep 15
Revenues						
Motor Vehicle Fuel Taxes Increase (7 cents 8/1/15 & 4.9 cents 7/1/16); Handling Loss Elimination and Increase in Off-highway Refunds by 11.9 cents	531.6	(0.7)	797.5	3.4	3,753.1	6.9
Vehicles paying Weight-based Registration Fee (All Trucks)	34.7	(0.1)	70.2	(0.3)	377.3	1.4
Vehicles paying Freight Project Fee (Trucks >10,000 lbs)	10.5	(0.0)	21.0	(0.0)	95.4	0.1
Passenger Vehicle Weight Fees	87.3	(0.2)	180.5	(0.8)	1,071.5	(2.2)
Intermittent-Use Trailers (\$187.50) *	7.2	-	30.0	-	58.0	-
Electric/Plug-in Vehicle Renewal Fee (\$100)	0.2	-	0.4	-	1.9	-
Electric/Plug-in Vehicle Renewal Fee (\$50)	0.6	-	1.4	-	7.2	-
Title Service Fee \$12 (Vessels)	0.1	-	0.1	-	0.5	-
Registration Service Fee \$5 (Vessels)	0.4	-	0.3	-	1.6	-
Commercial Driver's License (CDL) Fees HIGHWAY SAFETY	1.4	-	2.7	(1.1)	12.2	(1.1)
Enhanced Driver's License Fees (EDL/EID) HIGHWAY SAFETY	3.2	1.2	6.1	2.3	27.2	10.3
DOL Report of Sale Fees	-	-	5.2	-	19.5	-
Studded Tire Fee	0.2	-	1.0	-	4.3	-
Total Revenues	677.4	0.2	1,116.4	3.4	5,429.8	15.4
Distributions						
Motor Vehicle Fund (108)	33.7	(0.1)	82.1	(0.2)	338.5	0.9
Transportation 2003 Nickel Account (550)	2.4	(0.0)	4.8	(0.0)	24.8	0.1
Transportation Partnership Account (09H)	5.2	(0.0)	10.5	(0.0)	54.5	0.2
Connecting Washington Account (NEW)	531.6	(0.7)	797.5	3.4	3,753.1	6.9
Puget Sound Ferry Operations Account (109)	0.7	(0.0)	1.6	(0.0)	7.1	0.0
Capital Vessel Replacement Account (18J)	0.5	-	3.4	-	13.4	-
Multimodal Transportation Account (218)	87.9	(0.2)	183.0	(0.8)	1,083.1	(2.2)
License Plate Technology Account (06T)	-	-	0.1	-	0.5	-
DOL Services Account (201)	-	-	0.3	-	1.1	-
WSP Highway Account (081)	10.9	(0.0)	23.7	(0.1)	112.0	0.3
Highway Safety Fund (106)	4.6	1.2	9.4	1.2	41.5	9.3
Rural Arterial Trust Account (102)	0.0	-	0.0	-	0.0	(0.1)
Transportation Improvement Account (144)	0.0	-	0.0	-	0.1	-
Total Distributions	677.4	0.2	1,116.4	3.4	5,429.8	15.4
Transfers Out						
Transfers to Cities (Sunset June 2031)	(11.7)	-	(25.1)	-	(112.2)	-
Transfer from Motor Vehicle Account	(5.5)	-	(11.7)	0.0	(52.3)	0.0
Transfer from Multimodal Account	(6.2)	-	(13.4)	-	(59.8)	-
Transfers to Counties (Sunset June 2031)	(11.7)	-	(25.1)	-	(112.2)	-
Transfer from Motor Vehicle Account	(5.5)	-	(11.7)	0.0	(52.3)	0.0
Transfer from Multimodal Account	(6.2)	-	(13.4)	-	(59.8)	-
Total Transfers to Cities & Counties	(23.4)	-	(50.2)	-	(224.3)	-
Transfer from Multimodal to General Fund for Sales Tax Exemption for electric and plug-in hybrid vehicles (Sunset July, 1 2019)	(7.4)	-	(9.3)	-	(17.1)	0.0
Transfer from the Multimodal to General Fund - B&O/PUT Tax Credits for alternative fueled commercial vehicles (Sunset July 1, 2021)	(8.5)	-	(12.0)	-	(35.5)	-
Transfer from Multimodal to General Fund - B&O Tax Credits for businesses with a commute trip reduction programs (July 1, 2017)	-	-	(5.5)	-	(17.9)	-
Total Tax Credits and Cities/Counties Transfers Out	(39.3)	-	(77.0)	-	(294.8)	0.0
Tax Credits Total Transfers from Multimodal Account	(15.9)	-	(26.8)	-	(70.5)	0.0
Transfers In to Connecting Washington Account						
Transfers In from General Fund	-	-	-	-	83.0	-
Net to Connecting Washington Account	531.6	(0.7)	797.5	3.4	3,836.1	6.9
Overall Net Revenues After Transfers (In and Out)	638.1	0.2	1,039.4	3.4	5,218.0	15.4

* Intermittent-Use trailer fee impact is the gross impact from the new trailer fee not the net impact

In 2015 lawmakers passed 2SSB 5987 which was the new 2015 Transportation Revenue package. The new revenue package has a variety of fee increases with the largest tax increase being from the motor fuel tax increase. The new legislation also authorized various transfers of funds and tax credits which are also listed in the table above.